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AUTHOR O'Neill, Hugh; Garcia, Kathryn; Amerlynck, Virginie; Blum, Barbara

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ABSTRACT

This report describes policy and program changes affecting New York's low-income families, issues related to these changes, and ways that city, state, and federal governments might further enhance the well-being of low-income families. Part 1 reviews major new policies enacted by the federal and state governments since the mid-1990s, noting how they have affected low-income families. Part 2 describes changes in New York City's economy and labor market during the period under study. Part 3 describes the New York City Human Resources Administration's approach to implementing major changes in public welfare programs under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and the state's Welfare Reform Act, describing programs that have been particularly effective in improving services to low-income families and noting significant improvements in managing such programs. Part 4 describes support mechanisms available to low-income families outside of welfare, such as the Earned Income Tax Credit, Unemployment Insurance, and state-sponsored health insurance. Part 5 highlights issues that New York City must address to improve opportunities for, and raise the living standards of, low-income families. Part 6 examines implications for federal, state, and local policies affecting low-income families. (SM)

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RESEARCH FORUM ON CHILDREN,
FAMILIES, AND THE NEW FEDERALISM

Policies Affecting New York City's Low-Income Families

Hugh O'Neill
Kathryn Garcia
Virginie Amerlynck
Barbara Blum

October 2001

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Research Forum on Children, Families, and the New Federalism

The Research Forum, an initiative of the National Center for Children in Poverty (NCCP), hosted at the Mailman School of Public Health, Columbia University, encourages collaborative research and informed policy on welfare reform and vulnerable populations. The Research Forum's ultimate goal is to identify and promote strategies that protect and enhance the well-being of poor children and their families.

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Howard Rolston *Administration for Children and Families, DHHS*
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Jennifer Farnsworth Francis *Research Associate*
Sharmila Lawrence *Program Coordinator*
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Carole J. Oshinsky *Managing Editor for NCCP*

Policies Affecting New York City's Low-Income Families

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About the Authors

Hugh O'Neill is president and founder of Appleseed, a New York City-based consulting firm that has worked with public, private, and nonprofit organizations to promote economic growth and expand the boundaries of economic opportunity since 1993. Previously, Mr. O'Neill worked as deputy commissioner of the New York State Department of Social Services, director of New York State's Office of Development Planning, and assistant executive director of the Port Authority of New York and New Jersey.

Kathryn Garcia, vice president of Appleseed, has been with the firm since 1996. She has primary responsibility for the firm's work with the United Way of Tri-State, and has also been actively involved in Appleseed's work on the economic impacts of universities, local labor market conditions, and welfare-to-work issues. Prior to joining Appleseed, Ms. Garcia worked for the Local Initiatives Support Corporation and the New York City Department of Finance. She is a graduate of the University of Wisconsin.

Virginie Amerlynck, senior research associate, joined Appleseed in September 2000. She has worked on the firm's study of policies affecting low-income families in New York City, on several other studies of local labor market conditions, and has participated in Appleseed's consulting work for the United Way of Tri-State, the City of Yonkers, and Con Edison, Inc. Ms Amerlynck holds a Master's in regional planning from the University of North Carolina.

Barbara Blum is NCCP's senior fellow for Child and Family Policy and director of its Research Forum on Children, Families, and the New Federalism. She has lead many organizations, most notably, the Foundation for Child Development, MDRC, and the American Public Welfare Association (now the American Public Human Services Association). During her tenure as commissioner of the New York State Department of Social Services from 1977–1982, she innovated community work experience programs, alternative services to prevent nursing home care, and the first large-scale management information system for public social service programs, and oversaw the shift away from foster care placement and toward the provision of family support services.

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Acronyms

ACD	Agency for Child Development
AFDC	Aid to Families with Dependent Children
CBOs	Community-Based Organizations
CCDBG	Child Care and Development Block Grant
CHIP	Child Health Insurance Program
CHP	Child Health Plus
CPS	Current Population Survey
DHHS	U.S. Department of Health and Human Services
EA	Emergency Assistance
EBT	Electronic Bank Tranfer
EITC	Federal Earned Income Tax Credit
ESL	English as a Second Language
ESP	Employment Services and Placement
EVR	Eligibility Verification Review
FEGS	Federation Employment and Guidance Service
FRAP	Temporary Family Rental Assistance Program
GED	High School Graduation Equivalency Diploma
HCCI	Harlem Congregations for Community Improvement
HRA	New York City Human Resources Administration
IRS	Internal Revenue Service
JOBS	Job Opportunities and Basic Skills
JOS	Job Opportunity Specialist
MDR	Mandatory Dispute Resolution
NADAP	National Association on Drug Abuse Problems, Inc.
N-PAC	Non-Profit Assistance Corporation
NYCHA	New York City Housing Authority
OCSE	Office of Child Support Enforcement
OJT	On-the-job training
PACT	Parks Career Training Program
PRWORA	The Personal Responsibility and Work Opportunity Reconciliation Act of 1996
SACAP	Substance Abuse Central Assessment Program
SAP	Skills Assessment and Placement
SOBRO	South Bronx Overall Economic Development Corporation,
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families
UI	Unemployment Insurance
VESID	Office of Vocational and Educational Services for Individuals with Disabilities
VITA	Volunteer Income Tax Assistance
WEP	Work Experience Program
WIA	Workforce Investment Act of 1998

Executive Summary

Introduction

Since the mid-1990s, policy and program changes at federal, state, and local levels have had a profound impact on the well-being of low-income families in New York City. In 2000, at the request of the New York Community Trust, the National Center for Children in Poverty—a research center affiliated with the Mailman School of Public Health at Columbia University —undertook a review of these changes and how they are being implemented in New York City.

This report describes some of the most important policy and program changes affecting New York's low-income families, discusses a number of issues that have arisen in connection with those changes, and suggests several ways in which city, state, and federal governments might further enhance the well-being of low-income families. In the aftermath of the tragic events of September 11, 2001, the challenges facing New York City's low-income families are even more urgent.

Changes in Federal and State Welfare Policy

- The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the federal government's primary source of support for poor families with children, Aid to Families with Dependent Children (AFDC), with a new program called Temporary Assistance for Needy Families, or TANF. This new program differed from AFDC in several important respects: it shifted control of the program from the federal government to the states; it limited the length of time during which families could receive federally funded cash assistance to five years in one's lifetime; and it imposed new requirements concerning the movement of TANF recipients from welfare to jobs.
- PRWORA also included a number of other provisions, including restrictions on legal immigrants' eligibility for cash assistance and other services, cutbacks in food stamp benefits, consolidation of federal funding for child care into a new block grant, and a strengthening of child support enforcement efforts.
- In 1997, New York State enacted the Welfare Reform Act, which incorporated the mandates imposed by PRWORA, including time limits and work requirements. The 1997 Act also abolished the state's Home Relief program, which provided assistance to poor single adults and childless couples. In its place the law created a new program, called Safety Net Assistance, which limits to two years the period during which most childless adults are eligible for cash assistance.
- Since the enactment of the Welfare Reform Act, the state has used surplus TANF funds to increase funding for child care, to finance the refundable portion of the state's earned income tax credit program, and to support a variety of other programs aimed at helping public assistance recipients make the transition to work.

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The Economic Context

- Three in 10 families with children in New York City live in poverty—about double the national rate—and many more families are struggling to make ends meet in a city with an extremely high cost of living. The official U.S. poverty rate is not adjusted to reflect local differences in the cost of living. This suggests that poverty in New York City is even more severe than in other places with a lower cost of living.
- The growth of New York City's economy since the mid-1990s has increased the demand for labor, including the demand for entry-level workers with limited skills and experience. This increased demand has helped ease the transition of public assistance recipients and others with limited skills into the work force.
- However, while the number of jobs available to less-skilled workers has increased, wages generally have not. Average wages per worker in eight major low-wage industries in New York City declined in real terms by 0.5 percent between 1994 and 1999.

Implementation of Welfare Reform in New York City

- Between 1995 and 1998, efforts to reform New York City's welfare system focused on more rigorous enforcement of eligibility standards and increased use of the Work Experience Program to enforce work requirements.
- The city succeeded in reducing its public assistance caseload by 30 percent between March 1995 and December 1997, but it still lacked a coherent strategy for moving recipients from welfare to work.
- Early in 1998, New York City's Human Resources Administration (HRA) began to implement a more comprehensive approach that included several major elements:
  - Conversion of income support centers into "job centers," where, beginning with their first encounter with the system, potential applicants would be encouraged to pursue alternatives to welfare, and current recipients would be assisted in moving into the work force.
  - Creation of a consistent, structured process for moving participants through several stages of engagement: a period of initial job search; a "simulated work week," combining part-time work experience with basic skills training and other services; and, finally, employment.
  - Increased use of both for-profit and nonprofit contractors to provide the services required for (and to manage the process of) moving participants through these various stages of engagement.
  - Development of an array of specialized programs serving participants with substance abuse problems, those with work-related disabilities, and others.
  - Provision of transitional benefits—including Medicaid, child care, and food stamps—to those leaving welfare for work.

- Strengthening the management of the system, most notably through creation of JobStat, which tracks the performance of income support centers, job centers, and contractors on a week-by-week basis.

- These initiatives, combined with a local economy that remained strong well into 2001, have led to further declines in the city's caseload. By April 2001, the number of persons receiving assistance in the city had declined to approximately 519,000—a reduction of 55 percent since March 1995.

- HRA reports that 121,000 public assistance recipients obtained jobs in the year 2000.

- Despite HRA's success in moving participants into employment and in reducing the city's caseload, a number of critical issues have arisen during the implementation of welfare reform that have yet to be addressed. Several of these issues are highlighted below.

Other Support for Low-Income Working Families

- Since the mid-1990s, the federal Earned Income Tax Credit (EITC) has become a vitally important source of support for New York City's low-income working families. In 1998, more than 667,000 New York City taxpayers—22 percent of all federal taxpayers in the city—claimed this credit. The total value of credits claimed was $1.09 billion.

- New York State also allows low-income taxpayers to take an earned income credit against their state taxes. The state's tax credit program is pegged at 22.5 percent of the federal credit (scheduled to rise to 30 percent by 2003), and, like the federal EITC, it is refundable.

- New York State's Child Health Plus insurance program provides health care coverage at no or low cost for more than 300,000 New York City children in low- and moderate-income families who are not eligible for Medicaid. In May 2001, the federal government approved a state plan to extend coverage to most adults in these families.

- In addition to the subsidized child care that HRA finances for public assistance recipients who are working or engaged in other approved activities, the city's Agency for Child Development provides subsidized child care for 54,000 children of low-income parents.

- During fiscal year 2000, the city's Office of Child Support Enforcement collected $422.4 million in child support payments—double the amount collected in 1994. Of this total, 77.5 percent was collected on behalf of families that are not receiving public assistance.

- Unemployment insurance (UI) can be a vitally important source of support for low-income workers who lose their jobs. In 2000, New York State paid UI claims totaling $703 million to residents of New York City. In addition, new rules adopted by the state in 2000 have made it easier for new entrants to the work force to qualify for benefits when they lose their jobs, a change that over time may prove helpful to many former welfare recipients.

- Employment and training services can be useful in helping low-wage workers improve their earnings. Publicly funded employment and training programs, however, have historically tended to give priority to the needs of the long-term unemployed and dislocated workers rather than low-wage workers.

- The federal government's Section 8 program provides rent subsidies to more than 160,000 low- and moderate-income households in New York City. The New York City Housing Authority manages 181,000 apartments in public housing projects throughout the city. Since 2000, it has reserved 50 percent of all new vacancies for working families.

Issues to Be Addressed

- As the city's welfare population has declined, its composition has changed in ways that present several issues.
  - Employment service providers suggest that current participants in their programs typically have lower skill levels, less work experience, and more problems than participants they were serving a few years ago.
  - Some providers report that a large number of current participants have very limited proficiency in English, which limits their opportunities for employment.
  - These problems suggest that HRA may need to adopt a more flexible approach in defining the mix of work experience and training through which participants can comply with its requirement for full engagement.
  - As of April 2001, more than 40,000 TANF cases in New York City were potentially subject to the five-year individual federal lifetime limit, starting in December. HRA has begun a focused effort to close as many of these cases as possible through employment and increased earnings. Service providers express concern, however, that a significant number of long-term recipients remain "in denial" about the approach of their five-year limit. HRA's plan to require TANF recipients who reach the limit to reapply for Safety Net assistance has also been a source of controversy.
  - As the overall welfare caseload has continued to decline, the number of "child only" cases has grown; there are now more than 34,000 such cases in the city. Because they are subject to neither work requirements nor the five-year limit, HRA has paid little attention to these cases. However, they may represent a particularly vulnerable segment of the city's welfare population.
- While the city has made considerable progress in restructuring its welfare system to one that supports the transition to work, that restructuring remains incomplete in several important respects.
  - The number of recipients who are working but who, because they have very low earnings, still receive welfare benefits, had grown as of April 2001 to more than 31,000. HRA needs to adapt its practices to the reality that an increasing number of recipients are employed by adopting, for example, a more flexible approach to scheduling required appointments.
  - New York State and New York City currently require that new mothers work full-time or participate full-time in work activities once their children are three months old. For many participants with very young children, however, part-time employment or work activities may represent a more effective way both to achieve progress toward self-sufficiency and to foster their children's healthy development.

- Recipients who get special rent supplements authorized under *Jiggetts v. Dowling* lose those benefits when they leave welfare for work. For some recipients, this means that earning enough money to leave welfare actually reduces their total income. The prospect of losing Jiggetts benefits may discourage some recipients from increasing their earnings.
- Both service providers and TANF recipients report that those who leave welfare for work often encounter significant difficulties and delays in obtaining the transitional benefits to which they are entitled.
- Service providers also express concern about recipients' widespread reliance on informal child care arrangements, which are sometimes inadequate for the needs of both parents and children.

► Despite the increased support for low-income working families provided by the city and the state in recent years, federal, state, and city policies in a number of areas remain inconsistent with New York's commitment to support such families.

- Because families headed by immigrants represent a growing proportion of the city's low-income working families, policies that make such families ineligible for a wide range of benefits and services effectively leave many of New York's working poor families unprotected.
- While earned income tax credits effectively exempt low-income working families from federal and state income taxes, New York City still taxes the incomes of working poor families.
- Because it has a waiting list of more than 200,000 applicants—and because priority is given to a variety of groups such as homeless families, victims of domestic violence, and families with children in foster care—the city's Section 8 housing program has limited utility as a source of support for working families.
- Because of its historic focus on the needs of the long-term unemployed and displaced workers—and more recently, its focus on moving public assistance recipients into the work force—New York City's publicly funded employment and training network has provided relatively little support to low-wage workers seeking better-paying jobs.

Policy Implications

► To meet the goals of welfare reform more effectively—and more broadly, to help low-income families meet their needs through work—New York City should:

- Adopt a more flexible approach to full engagement, allowing employment service providers to tailor the mix of work experience, training, and services according to each participant's needs, and, for a limited time, allowing mothers of very young children to choose part-time employment.
- Improve the delivery of transitional benefits by linking their authorization more directly to case closing actions and by ensuring timely payment.

- Develop a comprehensive program for assessing and addressing the needs of child-only TANF cases through the collaboration of HRA, the Administration for Children's Services, and nonprofit family service providers.
- Reduce the tax burden on low-income working families by enacting an earned income tax credit generous enough to remove all working poor families from the city's tax rolls and by intensifying efforts to ensure that all eligible workers take full advantage of federal and state earned income credits.
- Establish on a pilot basis several service centers—separate from HRA's income support and job centers—that are designed to provide services and benefits to working poor families.

▶ To enhance the well-being of low-income families, New York State should:

- Authorize additional increases in the value of the state earned income credit, reaching 40 percent of the federal tax credit by 2007.
- Provide transitional help with housing costs by, for example, using surplus TANF funds to provide time-limited supplemental rent assistance to families who are leaving welfare for work.
- Develop and implement a comprehensive strategy for upgrading the quality of informal child care.
- Require each local social services district to develop a plan for addressing the needs of child-only cases, and provide funding to support implementation of those plans.
- Extend eligibility under the state-funded portion of the federal food stamp program, Family Health Plus, and other programs to all legal immigrants who otherwise meet eligibility requirements.
- Increase substantially the state's investment in English language instruction for immigrant New Yorkers.

▶ To build on the success of PRWORA and other policies adopted during the 1990s—and to cure their shortcomings—the federal government should:

- Maintain the level of funding provided to the states under the TANF block grant for at least the next five years.
- Modify the five-year individual federal lifetime limit under TANF by "stopping the clock" for recipients who work full-time and "slowing the clock" for those who work part-time.
- Give states the flexibility to define less than 30 hours of weekly participation in work activities as full employment for mothers with very young children.
- Eliminate the provisions of PRWORA, the Child Health Insurance Program, and other programs that discriminate against legal immigrants.
- Increase the federal minimum wage by at least a dollar.

Introduction

The ways in which the government provides assistance to low-income families in New York City have undergone significant changes since the mid-1990s. As a result of new mandates from Washington, D.C. and Albany—as well as changes initiated by the city itself—New York's welfare system is in the midst of a historic transformation. What was once a system whose primary purpose was the administration of cash assistance has become one in which the primary goal is to help the heads of families get jobs. At the same time, earned income tax credits—which, as the name implies, are available only to those who work—have taken on far greater importance as a source of support for low-income families. New programs have provided health insurance coverage to many poor children and families. At the same time, however, changes in federal law have left many immigrant families with no health care coverage at all and have limited immigrants' access to many other services as well. Currently, three in 10 families with children in New York City live in poverty—about double the national rate—and many more families are struggling to make ends meet in a city with an extremely high cost of living. In the aftermath of the tragic events of September 11, 2001, the challenges facing New York City's low-income families are even more urgent.

Early in 2000, the New York Community Trust asked the Research Forum on Children, Families, and the New Federalism to assess how New York State policies—and their implementation in New York City—affect the well-being of low-income families. The Research Forum—a program of the National Center for Children in Poverty (NCCP), which is hosted by Columbia University's Mailman School of Public Health—agreed in February of 2000 to undertake the project in conjunction with program staff at NCCP.

Purpose of the Project

The purpose of this project is to develop a framework that can be used by state and city officials, service providers, and others to:

- Better understand how the various policy changes implemented since the mid-1990s interact.
- Identify areas in which the implementation of existing policies might be improved.
- Develop new approaches to addressing the needs of low-income families.

In particular, the project has sought to focus on how well existing policies:

- Help families make the transition from welfare to work and provide the ongoing services and support families need to succeed in the work place.
- Help families improve their incomes.
- Address serious barriers to employment among some low-income families.

- Promote the health and development of children in low-income families.

Study Approach and Methods

The National Center for Children in Poverty has conducted this assessment in collaboration with Appleseed, a New York City-based consulting firm. The approach has included a number of elements:

- A review of the policies adopted at federal, state, and local levels since the mid-1990s, including the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, New York State's 1997 Welfare Reform Act, and, at the local level, the policies initiated by the administration of Mayor Rudolph Giuliani.
- A review of research conducted in New York and other states on the implementation of welfare reform and other policies affecting low-income families.
- The collection and analysis of administrative data on the implementation and impact of new policies affecting low-income families.
- Interviews with state and city officials involved in the implementation of these policies, and with representatives of nonprofit organizations involved or interested in the implementation process.
- Roundtable discussions in two New York City neighborhoods—Washington Heights and Mott Haven—with employment and training and social service providers involved in the process of helping public assistance recipients move from welfare to work.
- Four focus groups, organized and conducted by Marta Siberio Consulting, with current and former participants in programs aimed at helping recipients move from welfare to work—two sessions were held in Washington Heights and two in Mott Haven.
- Interviews with representatives of New York City employers that have hired large numbers of public assistance recipients. Industries represented in these interviews included finance, retailing, business services, personal services, and health and social services.

Because low-income families constitute a significant part of New York City's overall population, virtually every aspect of public policy in the city—from public education to criminal justice to environmental regulation—is likely to have some notable impact on such families. This project has not sought to examine all of these policy areas; instead, the focus is on policies that are directed more specifically at meeting the needs of low-income families.

This report, prepared by Appleseed, presents the results of our work to date.

Organization of the Report

Part One of this report provides a brief overview of the major new policies enacted by the federal government, New York State, and New York City since the mid-1990s, and how they have affected low-income families. Part Two provides a context for our discussion of these policies by describing changes that have occurred in New York City's economy and labor

market during the period under study.

Part Three describes the New York City Human Resources Administration's approach to implementing major changes in public welfare programs under PRWORA and the state's Welfare Reform Act, as well as specific program initiatives undertaken by HRA during the past several years. Also included in Part Three are several brief profiles both of programs that have been particularly effective in improving services to low-income families, and of significant improvements in the management of such programs.

Part Four describes support mechanisms that are available to low-income families outside the welfare system, such as the Earned Income Tax Credit, Unemployment Insurance, and state-sponsored health insurance programs.

Part Five highlights a number of major issues that New York City must address in order to improve opportunities for, and raise the living standards of, low-income families. Finally, Part Six addresses the implications of the findings for federal, state, and local policies affecting low-income families.

How Focus Groups Were Conducted

In order to understand better how changes in welfare policy have affected individual participants and their families, the National Center for Children in Poverty and Appleseed organized four focus groups. Two were held in Mott Haven and two in Washington Heights. These locations were chosen because in both neighborhoods the sponsor of this project, the New York Community Trust, has for several years been supporting community-based employment programs. The Northern Manhattan Improvement Corporation and the Citizens Advice Bureau hosted the focus groups and assisted in recruiting participants.

The four sessions were conducted by Marta Siberio of Marta Siberio Consulting in October of 2000. Two groups (one in each neighborhood) consisted of participants who had been on welfare but were now working; two included people who were participating in some type of approved work activity but were not yet employed. Usually the work activity was the city's Work Experience Program (WEP) and sometimes included other activities such as English as a Second Language training. A total of 45 people participated in the four groups. Because many of the participants had very limited proficiency in English, discussions were conducted both in English and in Spanish.

A stenographer recorded each of the sessions and prepared transcripts. Ms. Siberio analyzed the content of the four sessions and assessed their implications for major issues, such as the value of WEP assignments, access to transitional benefits, and concerns about child care arrangements. Findings from the focus groups and comments from individual participants are cited throughout this report, most notably in Part Five.

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PART ONE
Changes in Welfare Policy

Since the mid-1990s, the circumstances of low-income families in New York City have been profoundly affected by changes in policy at both federal and state levels. Among the most important of these were the 1996 overhaul of the nation's welfare laws and legislation enacted in New York State the following year that both implemented and built upon the federal changes. The new legislation marked a sharp change in the policies that governed what had for decades been New York's principal form of support for low-income families—cash assistance provided through the public welfare system.

In Washington: A New Era in Welfare Policy

In August 1996, the U.S. Congress approved and President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The new law abolished Aid to Families with Dependent Children (AFDC), which since the 1930s had been the nation's primary source of financial support for poor families with children. In its place, Congress created Temporary Assistance for Needy Families (TANF). The new program differed from AFDC in several important ways:

- It shifted control of and responsibility for the program from the federal government to the states.
- It limited the length of time during which families could receive federally-funded cash assistance.
- It imposed new requirements on the states for moving families from welfare into jobs.

The Shift to the States

Prior to PRWORA, the federal government had provided open-ended reimbursement to states for part of their total spending on AFDC and on two related programs for poor families—Emergency Assistance (EA) and Job Opportunities and Basic Skills (JOBS). Under TANF, the federal government instead provides an annual block grant to each state. The amount of each state's grant was calculated based on the funding it received under AFDC, EA, and JOBS in fiscal year 1994–95. At the time, opponents of the new law expressed concern that the shift from open-ended reimbursement to a block grant would leave states dangerously exposed if caseloads rose, leading them to cut back sharply on social spending. In practice, the opposite occurred. Because welfare caseloads have declined sharply since 1994–1995, states have received far more federal money under the TANF block grant since 1996 than they would have received under the old reimbursement formulas.

Congress also gave the states much greater latitude in the management of the program. Each state is required to submit to the U.S. Department of Health and Human Services (DHHS) a

plan for the administration of the program and for use of TANF funds. But in contrast to the planning requirements imposed under other federal-state funding programs, those under TANF are quite minimal, and the DHHS has no authority to approve or reject the content of the plan.

States can choose to spend TANF block grant funds on "assistance"—narrowly defined by DHHS regulations as "cash payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs"—or on a wide range of other supports and services for low-income families, including family services, child care, education and training, transportation, and wage subsidies. States also have a great deal of latitude in setting eligibility standards for TANF assistance and services (with some notable exceptions defined below) and in establishing policies governing how the services are delivered.

In order to keep states from simply using TANF funds to replace their own spending on behalf of low-income families, PRWORA established a "maintenance of effort" requirement. To receive their full block grant entitlement, states that fully comply with TANF work mandates (described below) must spend at least 75 percent of the amount spent from state and local revenues on TANF assistance and services in fiscal year 1994–1995. States that do not fully comply with work requirements must spend at least 80 percent of what they spent in 1994–1995.

Setting Time Limits

One of the most controversial provisions of TANF is the five-year time limit, which stipulates that TANF funds cannot be used to provide assistance (as defined above) to any family that includes a head of household or spouse who has previously received TANF assistance for a cumulative total of 60 months. TANF cases consisting only of children are not subject to this limit. (Issues relating to these "child-only" cases are discussed in Part Five.) Moreover, states can, on the basis of hardship, continue to provide assistance in some cases beyond the five-year limit. This may only be done, however, for up to 20 percent of the state's average monthly caseload, calculated as of the date on which the five-year lifetime limit for individuals to receive cash assistance under TANF first becomes effective (usually late 2001). The conditions under which families can qualify for the 20 percent exemption are defined in each state's TANF plan.

In keeping with the broad authority to set eligibility standards that is given to the states under PRWORA, the states are free to set time limits more stringent than 60 months for the receipt of TANF assistance.

Work Requirements

PRWORA requires adult TANF recipients to begin working as soon as the state determines that they are ready and able to work, but not later than two years after they begin receiving assistance. It also requires states to terminate cash assistance to those who fail to meet this requirement. Moreover, the law requires states to meet a series of gradually escalating targets concerning the percentage of all recipients who must be working or engaged in some approved "work activity," and the hours per week during which they must be engaged.

In keeping with the law's overall approach, states are given considerable latitude in determining what constitutes a "work activity." Acceptable activities include unpaid work experience or community service, high school education, up to one year of post-secondary education or vocational training, job readiness training, and job search.

States may exempt parents of children younger than one year from work requirements. No parent, however, may receive more than 12 months' worth of exemptions under this provision over the course of a lifetime. States are also required to grant exemptions to parents with children under age six who cannot find child care.

Other Provisions of PRWORA

In addition to creating TANF, the 1996 legislation included other provisions affecting programs for low-income families. The most significant of these provisions are highlighted here.

Limiting Aid to Immigrants

PRWORA sharply restricted the eligibility of noncitizen immigrants for many types of federal assistance. The restrictions vary from program to program, and also vary according to the status and characteristics of the immigrant population. Moreover, Congress has on several occasions since 1996 altered the terms of these restrictions, and their impact has been further affected by court decisions. The end result has been to create a confusing patchwork of policies governing immigrants' access to federally funded benefits.[1]

Most legal immigrants who enter the United States after August 22, 1996, are not eligible for TANF or Medicaid during their first five years in the country; after five years, states have the option of making them eligible for these programs. Most post-PRWORA immigrants are also permanently ineligible for food stamps and Supplemental Security Income (SSI). However, the law provides exemptions from these restrictions for several categories of immigrants: certain refugee groups, U.S. military personnel and their families, and immigrants who have been employed in the United States for at least 10 years.

Immigrants who arrived before August 22, 1996, are generally eligible for food stamps and SSI, but PRWORA leaves it to the states to decide whether these pre-enactment immigrants will be eligible for TANF and Medicaid. In addition, the law created a new class of "unqualified immigrants"—those who are here legally but who are not naturalized citizens, permanent residents, or refugees. Unqualified immigrants are barred from almost every type of federally funded social program.

Since 1996, Congress has restored food stamp and SSI eligibility for some groups of elderly and disabled immigrants and has given states the option of paying for food stamps for immigrants who are ineligible under PRWORA. However, Congress has in other cases extended its policy of restricting immigrant access to benefits—by, for example, making immigrant children ineligible for federally funded health insurance under the Child Health Insurance Program authorized by Congress in 1997. (This program is described in greater detail in Part Four.)

Food Stamps

In addition to making new immigrants ineligible for food stamps, PRWORA sought to reduce the program's cost by trimming benefits for low-income working households and imposing new work requirements for food stamp recipients.

Supplemental Security Income

PRWORA also responded to reports of widespread abuses in the authorization of SSI benefits for mentally disabled children by establishing more stringent SSI eligibility requirements for children.

Child Care

In an effort to reduce one of the most significant barriers to employment that many poor parents were believed to face, the 1996 law increased federal funding for child care. Several smaller programs were consolidated into a single Child Care and Development Block Grant (CCDBG). States were also authorized to transfer funds from TANF to the CCDBG program.

The 1996 law also reduced child nutrition subsidies to day care centers not located in low-income neighborhoods or operated by low-income providers.

Child Support Enforcement

PRWORA also included several provisions further strengthening the federal-state child support enforcement program. For example, the law required states to provide at all hospitals and birth registry sites standard forms for the voluntary acknowledgment of paternity, which, if signed, become legally binding after 60 days. PRWORA also calls upon the states to establish systems for monitoring all child support payments and creates a nationwide federal-and-state new-hire database to facilitate tracking of noncustodial parents' employment.

Reducing Nonmarital Births

PRWORA sought to reward state efforts to reduce the incidence of births out of wedlock by providing financial rewards to states that have the most success in reducing nonmarital births.

Since the enactment of PRWORA, the federal government has also created several additional programs aimed at helping public assistance recipients make the transition to work. The largest of these is the U.S. Department of Labor's Welfare-to-Work program, which provides grants to state and local governments and nonprofit organizations to support programs aimed at helping hard-to-employ TANF recipients (and noncustodial parents in TANF cases) prepare for, get, and keep jobs. The U.S. Department of Housing and Urban Development's Welfare-to-Work Housing Voucher program provides rent subsidies for a limited number of families who are moving from welfare to work. In addition, the Federal Transit Administration's Job Access and Reverse Commute program provides grants to support local efforts to help low-income workers and job seekers get access to locations where jobs are available.

In Albany: Implementing TANF—and Beyond

In 1997, the New York State legislature passed and Governor George Pataki signed into law New York's Welfare Reform Act. The act was designed to ensure that New York's welfare laws conformed to the requirements of PRWORA, but it also included a number of other provisions that, while reflecting the same philosophy that shaped PRWORA, went beyond the federal law.

Family Assistance

The New York Welfare Reform Act replaces Aid to Families with Dependent Children (AFDC) with a new program called Family Assistance—New York's version of TANF. Key provisions of the program include the following:

- Benefit levels remain as they were under AFDC. The monthly benefit includes a basic needs allowance that varies by family size and a shelter allowance that varies both by family size and local social service district. In New York City, for example, the combined basic needs and shelter allowance for a family of three is $577 per month.
- New York State adopted, and chose not to shorten, the five-year federal time limit established by PWRORA. However, cases that reach the five-year limit may still be eligible for assistance under the Safety Net program, which is described below. Cases to be exempted from the five-year time limit include those in which the case head is unable to work due to mental or physical impairments.
- New York (like every other state except Alabama) continues to provide Family Assistance to immigrants who arrived in the United States before August 1996. According to federal law, post-1996 immigrant families are ineligible for TANF during their first five years in the United States. New York State, however, continues to provide assistance for these families under its Safety Net program (described below).
- Adult recipients are generally required to begin working "as soon as practicable," but no more than two years after they begin to receive assistance. Several categories of people are exempted from the work requirement, including minors under age 16, those under age 18 who are attending school full-time, those age 60 or older, those who are physically or mentally unable to work, those who are needed at home to care for an ill child or other dependent, women more than eight months pregnant, parents of children who are less than 3 months old, and single parents of children under age 13 who are unable to find formal or informal day care.
- To provide an incentive for work, the 1997 law provided a more liberal earned-income disregard than the state had previously offered under AFDC. Working Family Assistance recipients get to keep the first $90 in earnings they bring home each month, without having their welfare benefits reduced. Beyond $90, the grant is reduced by 53 cents for each additional dollar of earned income. The law also raised the level of assets that recipients may hold.
- The Welfare Reform Act creates New York's own version of a child care block grant, with the state's child care funds being allocated to local social services districts. The law guarantees funding for child care for those with children younger than age 13 who need such care in order to comply with work requirements.
- The law requires local social services districts to establish systems for assessing recipients and applicants for substance abuse. Those with problems serious enough to keep them from working may be required to participate in treatment programs. Those who fail to comply with testing and treatment requirements may lose their benefits.

Safety Net Assistance

The Welfare Reform Act of 1997 also mandated major changes in the state's program of cash assistance to single adults and childless couples. The legislation replaced the Home Relief program, which dated from the 1930s, with a new variant called Safety Net Assistance. The benefit levels provided under the Safety Net program are the same as they had been under Home Relief. However, Safety Net recipients can receive cash assistance for only two years. After two years, those still in need of aid may be eligible for noncash assistance, such as vouchers for rent and utilities and a personal needs allowance that is made available through an "electronic benefits transfer" system. Disabled people and those with HIV infection are exempt from the two-year limit.

The Welfare Reform Act also stipulates that Family Assistance recipients who reach the five-year time limit and are not in one of the state's exempt categories will be eligible for continued "noncash" Safety Net assistance—that is, for the combination of vouchers and electronic bank transfers described above.

Local Flexibility

Finally, just as PRWORA delegated greater responsibility to the states, the Welfare Reform Act granted greater flexibility to New York's 58 local social services districts (made up of New York City and each of the 57 counties outside the city). Districts were granted considerable flexibility in structuring their welfare-to-work programs and in deciding what services to provide.

Part Three of this report describes how New York City has used this flexibility in restructuring the delivery of cash assistance and services to comply with the mandates of PRWORA and the Welfare Reform Act and to meet its own welfare reform goals. One factor that is beyond the realm of legislation and government policy and has also affected the circumstances of low-income families in New York City is the change that has occurred in New York City's economy.

Use of Surplus TANF Funds

The combined effect of the size of New York State's TANF allocation and the steady decline in its Family Assistance caseload has left the state with a substantial surplus that can be used to support other benefits and services for low-income families. Surplus TANF funds have been used to expand the state's Child Care and Development Block Grant and to finance the refundable portion of the state's earned income tax credit (discussed in Part Four). TANF funds have also been used to support a variety of initiatives aimed at helping welfare recipients and other low-income people build their skills and get access to jobs. They include:

- The New York State Department of Labor's *Wage Subsidy Program*, which provides transitional wage subsidies to employers who hire welfare recipients and other low-income people who have serious barriers to employment.
- *Built on Pride*, which supports apprenticeship and other training programs that prepare participants for employment in the construction trades.

- ***Individual Vocational Education and Skills Training (InVEST)***, which helps the unemployed prepare for work and helps the underemployed increase their earnings.
- ***EDGE***, which funds work-based education programs offered through educational institutions.
- ***Health Care Worker Training and Recruitment***, a program of the New York State Department of Health, which provides training and subsidized employment in the health services sector.
- ***Community Solutions for Transportation***, which supports local efforts to provide welfare recipients and other low-income workers with transportation to jobs and job-related activities.
- Expansion of the New York State Education Department's assistance to local schools and community organizations that provide instruction in ***English as a Second Language***.
- The ***Transitional Services Block Grant***, a $100 million program under which each local district has received an allocation of funds that can be used flexibly for a wide variety of services that support recipients' transition from welfare to independence.

PART TWO
The Economic Context

One of the fears most frequently expressed by PRWORA's many critics, both before and after its enactment, was that the U.S. labor market simply would not provide enough jobs to employ the millions of people needed for the new law to work. Moreover, there was some concern that with so many unskilled job seekers joining the labor force, wages for unskilled workers, which had eroded badly in real terms during the previous 15 years, would be depressed further.

The robust growth of the U.S. economy during the late 1990s and the resulting strong demand for labor at all skill levels have greatly helped to alleviate these concerns. Economists generally agree that the "pull" into the work force exerted by a strong economy (as opposed to the "push" provided by more stringent work requirements and more extensive welfare-to-work services) accounts for a significant part of the decline in the number of people on welfare. But they disagree on just how much of the decline in caseloads is attributable to economic conditions—recent estimates range from 40 to 78 percent.[2]

Like those in other parts of the country, New York's welfare-to-work efforts benefited from a vibrant local economy and strong demand for labor. Certain trends in the New York City economy in recent years have affected the fortunes of the city's low-income families.

New York City's Economy

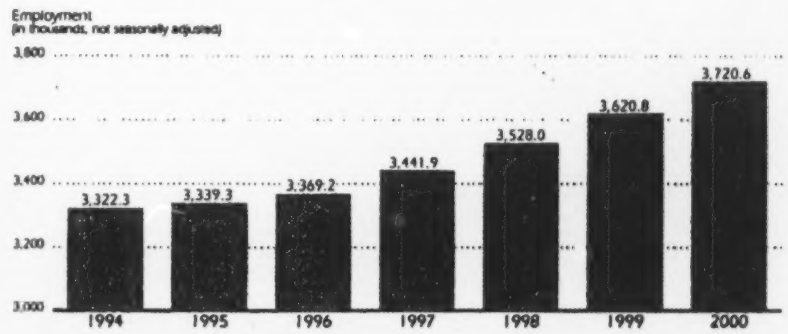
After suffering through a severe recession in the late 1980s and early 1990s—marked by a loss of 317,000 jobs between 1989 and 1993—New York City's economy began to recover in 1993. The recovery began haltingly at first, picked up steam in the late 1990s, and by 2001 had entered its eighth year. Between 1994 and 2000, average annual nonfarm payroll employment in New York City grew by 12 percent—a net gain of more than 398,000 jobs. (See Figure 1.) (By way of comparison, nonfarm payroll employment in the U.S. increased during the same period by 15.1 percent.)[3]

The city's recovery was led by a broad range of industries, including business services, old and new media, finance, the arts and entertainment, retailing, and travel and tourism. (Manufacturing was the only major sector of the city's economy that did not share in this broad-based recovery—employment in manufacturing fell by 13.6 percent between 1994 and 2000.) Job growth was spread over a wide range of industries and occupations with greatly varying requirements in terms of education and experience.

As a result of this growth, the city's unemployment rate fell from 8.7 percent in 1994 to 5.7 percent in 2000, despite strong growth in total labor force participation in the city.

Employment growth is not the only measure of the strength of New York's economy during the late 1990s. Between 1994 and 1999, average earnings per worker in New York City grew by 20 percent in real terms, to $56,000.[4] Highly-skilled, high-income workers in sectors such

Figure 1: Payroll Employment in New York City



Source: New York State Department of Labor

as finance and business services may have captured a disproportionate share of this increase; but real wage gains were nevertheless widely shared across a range of industries.

Growth in Low-Wage Industries

How did the growth of the city's economy affect the availability of opportunities for job seekers with limited skills and experience? A detailed answer to this question is beyond the scope of this report—and probably beyond the reach of data that is currently available. But some idea of the effects of a strong local economy can be obtained by examining trends in industries with low average wages—usually an indicator of low levels of required skills—and in other industries with significant numbers of jobs that require only limited training.

In most cases, industries with relatively low average wages are characterized by large numbers of jobs that do not require higher-level skills or extensive work experience. Eight New York City industries had average annual wages in 1999 that were less than $30,000: apparel manufacturing, trucking and warehousing, automotive services, restaurants, retailing, social services, personal services, and private households. Total payroll employment in these eight industries increased by about 55,000, or 9.3 percent, between 1994 and 1999—a rate of growth slightly slower than that for all employment in New York City during the same period. In the aggregate, these eight industries accounted for roughly 20 percent of all payroll employment growth in the city between 1994 and 1999.

There are, however, some notable differences among these industries. As Figure 2 shows, both apparel manufacturing and trucking and warehousing—the highest-paying of the eight industries—suffered substantial job losses between 1994 and 1999. Employment in the remaining six industries, in which average wages ranged from $16,000 to $23,000, grew by 15.9 percent during the five-year period, an increase of nearly 77,000 jobs. These six industries grew significantly faster than overall employment in the city; they accounted for roughly 28 percent of all job growth.

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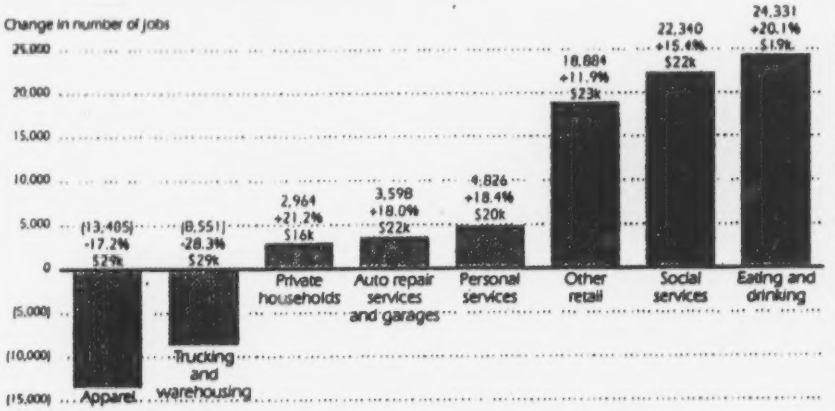
Figure 2: Employment Growth in Low-Wage Industries in New York City, 1994–1999 and Average Annual Wage in 1999



Source: New York State Department of Labor

The growth in demand for labor in these industries undoubtedly helped ease the transition of many public assistance recipients into the work force. Moreover, given the high concentration of women in some of these industries, as shown in Table 1, their growth may have been particularly helpful to female job seekers—not just those on welfare, but other low-income women as well.

However, while employment increased in six of the eight industries, average wages generally did not (Table 2). Between 1994 and 1999, average annual wages across these eight industries actually declined by 0.5 percent. At least in these industries, it appears that low-wage workers did not share in the overall growth in earnings that most New Yorkers enjoyed in the late 1990s. This could have occurred for several reasons—a change in the ratio of higher-wage to lower-wage workers *within* the eight industries, for example, or increasing reliance on part-time workers. But it could also reflect increased competition for jobs that do not require much education or experience.

Table 1: Female Employees in Low-Average-Wage Industries in New York City

Low-average-wage industries	Percent female
Private households	95.25%
Social services	76.67%
Personal services	69.44%
Apparel Manufacturing	60.40%
Other retail trade	48.05%
Eating and drinking	33.84%
Trucking and warehousing	17.01%
Automobile services and repair	13.65%

Source: U.S. Census Bureau Current Population Survey, March 2000 Supplement, New York, NY PMSA.

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Table 2: Average Wages in Low-Wage Industries in New York City

Low-average-wage industries	1999	1994	1994–1999
Apparel manufacturing	29,297	28,214	3.8%
Trucking and warehousing	29,210	28,692	1.8%
Other retail	22,740	22,914	-0.8%
Social services	22,286	22,580	-1.3%
Auto repair and garages	21,629	22,857	-5.4%
Personal services	20,148	19,420	3.7%
Eating and drinking	18,569	17,063	8.8%
Private households	15,619	15,868	-1.6%

Source: New York State Department of Labor

Less-Skilled Jobs in High-Skill Industries

The eight low-wage industries cited in Figure 1 are, of course, not the only source of employment in New York City for people with limited skills and experience. Some higher-wage industries also include a significant number of jobs that, according to the U.S. Department of Labor, require only some short-term training, most of which occurs on-the-job.[9] Table 3 lists five medium- and high-wage industries that during the late 1990s experienced significant growth in New York City, and shows the percentage of jobs in each that, at the national level, require only some short-term on-the-job training .

To understand fully the impact of growth in these industries on the availability of better-paying jobs for less-skilled workers, we would need information on the percentage of jobs in each industry in New York City that require only short-term training. However, if we assume for purposes of this analysis that the skill composition of the work force in these industries is the same in the city as it is nationally, we can estimate that the growth of these industries between 1994 and 1999 generated a total of approximately 22,600 new jobs for less-skilled workers. As Table 4 shows, many of these jobs—construction laborers and housekeeping workers in the hotel and hospital industries, for example—pay relatively high wages for less-skilled jobs.

The Impact of Turnover

The availability of job opportunities is, of course, not solely a function of growth in total employment; in any given year, far more job openings are created through turnover than through growth. Detailed data on how many openings have actually occurred in New York City since the mid-1990s in various industries and occupations is not currently available. However, projections published by the New York State Department of Labor provide a rough indicator of how many openings are likely to occur in various occupations in any given year.

Table 5 lists the leading occupations in New York City that typically require only short-term on-the-job training, and the average number of openings the Labor Department expects to occur annually in each. As the table shows, some occupations that may not be growing rapidly in New York City—such as janitorial work—or that may actually be declining—such as warehouse employment—still generate significant numbers of new openings each year.

Table 3: Low-Skill Occupations in Selected Industries in New York City

Industry	NYC employment in 1999 (#)	NYC change from 1994 (#)	National average short-term on-the-job training (%)	NYC change 94–99 short-term on-the-job training (#)
Hotels	38,304	6,510	62.7%	4,082
Construction	109,328	23,307	21.1%	4,918
Air transportation	54,143	12,409	48.0%	5,956
Health	319,378	25,674	25.1%	6,444
Securities and commodities	169,237	23,936	5.1%	1,221
Total	690,390	91,836	24.6%	22,621

Source: New York State Department of Labor; U.S. Bureau of Labor Statistics. (2000). Occupational Outlook Handbook, 2000–01 edition. Washington, DC: U.S. Department of Labor. <http://stats.bls.gov/ocohome.htm>

Table 4: Median Hourly Wage in Selected Occupations, New York City, 1998

Occupations	Hourly wage
Private Nursing aides and orderlies	$11.71
Helpers, construction trade	$9.26 to $16.49*
Hotel desk clerks	$13.56
Maids and housekeeping cleaners	$11.56
Reservation and transportation ticket agents	$11.26
Helpers, laborers, and material movers (manual)	$9.75
General office clerk	$11.16

* depending on the trade

Source: Occupational Employment Survey 1998; U.S. Bureau of Labor Statistics. (2000). Career Guide to Industries, 2000–01 edition. Washington, DC: U.S. Bureau of Labor Statistics. <http://www.bls.gov/oco/cg/>

Table 5: Most Common Low-Skill Occupations in New York City

Occupations with typical short-term on-the-job training	Estimated # jobs 1997	Annual (1997–2007) projected openings	Average hourly wage 1998	Approximate average annual wage 1998
Janitors and cleaners	132,320	27,910	12.21	23,810
General office clerk	102,990	22,190	11.68	22,776
Salesperson (retail)	79,340	26,260	9.86	19,227
Guards	66,680	14,890	9.67	18,857
Nursing aides, orderlies and attendants	52,360	11,360	11.12	21,684
Cashier	51,210	20,590	7.39	14,411
Personal and home care aides	41,980	13,860	8.18	15,951
Waiters and waitresses	39,730	14,170	7.64	14,898
Receptionists	39,170	11,270	11.34	22,113
Home health aides	37,720	9,650	8.02	15,639
Traffic, shipping and receiving clerks	32,870	7,800	12.91	25,175
Light truck drivers	28,680	770	12.29	23,966
Food preparation workers	27,690	12,520	8.35	16,283
Warehouse stock clerks	23,490	4,360	10.96	21,372
All listed above	756,230	197,600	10.40	20,282

Source: New York State Occupational Employment Projections 1997; U.S. Bureau of Labor Statistics Occupational Employment Survey 1998

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The Experience of the Late 1990s—And the Outlook for the Future

The growth that has occurred in New York City since the mid-1990s in industries such as retailing, restaurants, hotels, and social services has clearly made it easier to absorb large numbers of public assistance recipients—and others with limited skills and experience—into the city's work force.

We cannot, of course, assume that the growth the city has enjoyed during the past several years will continue uninterrupted. As of spring 2001, the national economy appeared to be on the threshold of a recession, and there were signs of a slowdown at the local level as well. A slowdown in the local economy need not, however, mean the end of the city's success in moving public assistance recipients into the work force. As Table 5 indicates, routine turnover will continue to create job opportunities, even in industries that are not growing.

In the long run, the "intellectual capital" sector of New York's economy—businesses built on the generation and creative application of ideas and information rather than on the routine production of goods and services—will be the engine that drives New York's economy. The city's long-term objective should therefore be to prepare all its residents for productive participation in an economy built on intellectual capital. Nevertheless, even in an economy driven primarily by ideas and information, there will still be a demand for less-skilled workers. Indeed, over the course of the next decade the demand for such workers could increase across a variety of industries.

- While the growth in retail employment in New York in the 1990s in part reflects the overall strength of the city's economy, it also reflects the steady growth of the city's population during the 1990s. Employment in retailing—along with other industries that serve the city's resident population, such as personal services—is thus likely to remain strong.
- Several recent studies project long-term growth of 1 to 1.5 percent annually in office-based employment in New York City.[6] This growth will not only generate thousands of new entry-level clerical jobs, but also thousands of support jobs in functions such as office building maintenance.
- Continued growth in the number of working women with children will increase the demand for child care workers, as well as workers in other services (fast food, home cleaning, etc.) that in effect represent the "contracting out" of domestic functions.
- The long-term growth of the city's elderly population will continue to generate demand for workers in a variety of health, social, and personal service occupations.

While the outlook for continued availability of jobs for less-skilled workers thus appears positive, the issue of less-skilled workers' wages is more troubling. Even the strong demand for labor generated by the most robust local economy of the last 30 years does not appear to have increased the wages earned by unskilled workers. At best, it appears to have stopped the steady erosion in low-skilled workers' real wages that had occurred since the 1970s.[7] ***Even if the city's economy remains strong during the next several years, and thus continues to pull large numbers of new entrants into the work force, there will still be a critical need to help low-wage, entry-level workers increase their earning power.***

PART THREE
Implementation of Welfare Reform in New York City

Putting into effect the program and policy changes mandated by Congress in 1996 and by New York State in 1997 would have been a challenging task under any circumstances. But in New York City, the challenge was extraordinary. In March 1995, some 17 months before enactment of PRWORA, New York City's public assistance caseload had reached a high of more than 1.16 million persons—an increase of 35 percent since 1989. The number of people on welfare in the city was larger than the entire population of Dallas or Detroit, and twice the population of Washington, D.C. The delivery of cash assistance and services to families and individuals on welfare was the job of the New York City Human Resources Administration, a large and complex bureaucracy with more than 22,000 employees.

The Initial Focus: Reducing the Caseload

Even before the enactment of PRWORA, the administration of Mayor Rudolf W. Giuliani had sought to change the direction of the city's public assistance programs. During its first few years, the Giuliani administration focused on stopping, and then reversing, the growth of the city's public assistance caseload. To achieve this goal, the mayor and his staff adopted a two-part strategy: a much more rigorous approach to determining eligibility and a rapid expansion of the city's Work Experience Program.

Eligibility Verification Review

To "ensure that only eligible persons are accepted for and continue to receive public assistance," the Human Resources Administration initiated a new procedure called Eligibility Verification Review (EVR). After an application for assistance is taken at one of the city's job centers or income support centers, it is passed to HRA's Office of Revenue and Investigation. EVR staff members, called investigators, reinterview applicants at the EVR office; they also visit applicants in their homes. EVR staff also use a number of computerized databases to verify information submitted by the applicant, such as employment and unemployment insurance records, credit reports, and Department of Motor Vehicle files. They may also interview other parties—landlords, neighbors, former employers—to verify information contained in the application.

Based on their investigation, EVR staff send a report to the applicant's job center or income support centers, recommending full acceptance, acceptance for partial assistance, or rejection. HRA's Family Independence Administration retains formal responsibility for approval or disapproval of the application.

EVR techniques are not applied solely during the initial application process. As cases are recertified, EVR staff will use the same sources of information to confirm continued eligibility or to recommend reduction or termination of benefits.

The EVR process has not gone unchallenged. Welfare advocates and legal services organizations have sued the Human Resources Administration over various aspects of EVR, charging that the rigors of the process have resulted in denial of welfare benefits to many legitimately eligible applicants. HRA has settled two of these class-action lawsuits and has made several changes in the process aimed at reducing improper denials of cash assistance.

Expansion of the Work Experience Program

The second element of the Giuliani administration's caseload control strategy was a major expansion of the Work Experience Program (WEP). Under state law, the city could require employable public assistance recipients to perform community service work. The number of hours a recipient could be required to work each month was determined by the total value of cash assistance and food stamp benefits received divided by the minimum wage. The WEP program reflected the belief that recipients should be prepared to "give something back" in return for their benefits—and, as its name implies, that the experience gained in community service assignments would help recipients prepare for regular employment.

While WEP had existed in state law for decades, New York City had not previously used the program as aggressively as many upstate counties had. In 1993, only a few thousand Home Relief recipients were assigned to WEP. For the Giuliani administration, however, the program offered several advantages. It was consistent with the mayor's emphasis on recipients' responsibility to work. WEP could also serve as an instrument for managing the caseload. For those able to work, being required to "work off your grant" reduced the attractiveness of welfare relative to low-wage employment—or as HRA Commissioner Jason Turner later described it, "altering the work/leisure trade-off."[3] WEP also made it much more difficult for recipients to "double dip" by working in off-the-books jobs, even as they continued to receive public assistance.

Moreover, after 1996, the city would be required to place an increasing percentage of its adult recipients either in regular jobs or in some other type of federally approved work activity. Failure to meet this requirement would carry serious financial penalties. A major expansion of the WEP program appeared to be the easiest route to compliance.

A Declining Caseload

Viewed in relation to the goal of reducing New York City's welfare caseload, the dual strategy adopted by the city in the mid-1990s proved to be effective. Between March 1995 and December 1997, the city's public assistance caseload declined by 30 percent, to 809,000 persons.The city also succeeded in expanding participation in the Work Experience Program. By the end of 1997, more than 5,400 Family Assistance recipients and more than 6,300 recipients of Safety Net assistance were working in WEP.

Viewed against the broader goals of PRWORA and the state's Welfare Reform Act, however, the city's approach in the mid-1990s must be seen as at best a partial success. A renewed emphasis on eligibility may have, as the city claimed, "restored integrity to the system," but by itself it did nothing to help poor families and individuals move toward independence. And while increased enrollment of recipients in WEP may have helped the city comply with the federal legislation's work requirements, the program as it was then structured did little to help participants move from WEP assignments to regular employment.

The great majority of WEP participants were assigned to work in city government agencies. While work experience assignments may have helped those with little or no employment history get acclimated to the world of work, HRA initially made little effort to combine it with training and other services that might help participants make the transition to paid employment. (There were some notable exceptions to this pattern, such as the Parks Department's PACT program, described below.) Indeed, HRA officials often appeared to be actively uninterested in efforts to make work experience assignments more meaningful. Several community organizations that had created private-sector internship programs for public assistance recipients—frequently leading to highly paid entry-level jobs—were told that such programs were not an acceptable alternative to conventional WEP assignments.

By the end of 1997, New York's strategy for reducing its welfare caseload was clearly succeeding. But the city had yet to formulate a coherent strategy for moving people from welfare to work.

A More Comprehensive Approach

During the spring and summer of 1998, Mayor Giuliani and newly-appointed HRA Commissioner Jason Turner began to articulate a more coherent approach to moving applicants for public assistance and recipients into the work force. The new approach, as HRA later described it, was based on "the belief that, barring a permanent or severe disability, every adult is capable of some kind of work. The goal is to connect these adults to the work force as quickly as possible."[9] As developed by HRA in the months that followed, the city's new approach consisted of four successive steps:

1) *Assisting participants to find alternatives to dependence.* Both for new applicants and for those currently receiving assistance, the first step would be to help "participants," as they were now called, identify and get access to resources other than cash assistance that would "allow them to escape the trap of the welfare system."[10]

2) *Labor force attachment.* Those who still chose after the first step to file an application for public assistance would be required to participate in a structured job search program while their applications were pending.

3) *Simulated work week.* If the initial job search did not lead to employment, and a public assistance case were opened, the participant would be required to participate for 35 hours each week in a program that combined a work experience assignment with other services designed to assist in the transition to work.

4) *Work.* After several months, the combination of work experience and other work-related services should lead to regular paid employment—preferably unsubsidized.

One of the first manifestations of this new approach was the reorganization of HRA's income support centers as "job centers." As HRA explained the philosophy behind the change:

> *For more than thirty years, income support centers based their services on the assumption that it was government's responsibility to meet family needs. The new job centers, on the other hand, base their services on the assumption that parents must provide for their family's needs. While the older model assumed that the parent was not capable of*

providing for his or her family, the new model assumes that everyone is capable of some level of work, regardless of temporary circumstances.[11]

By June 1999, HRA had converted 16 income support centers to the new model. The process was temporarily slowed by litigation (*Reynolds v. Giuliani*) that contested the new model. Plaintiffs in the case argued that in their initial interaction with job center workers, prospective applicants were effectively deterred from applying for benefits to which they were legally entitled. In April 2001, the court allowed HRA to resume the conversion of income support centers to job centers; the conversion was completed in July 2001. The court, however, has not yet rendered a decision on the merits of the case.

Changes in Program and Process

The process changes that HRA has been putting into effect since 1998 are designed to reflect the agency's emphasis on work and the four-step program outlined above. The revised process begins when a prospective applicant arrives at a job center. Her first interview is with a "financial planner," whose job is to explore with the prospective applicant a variety of alternatives to recurring cash assistance, such as one-time emergency assistance payments, food stamps, eviction prevention services, help in finding a job or arranging child care, and referrals to the Office of Child Support Enforcement.

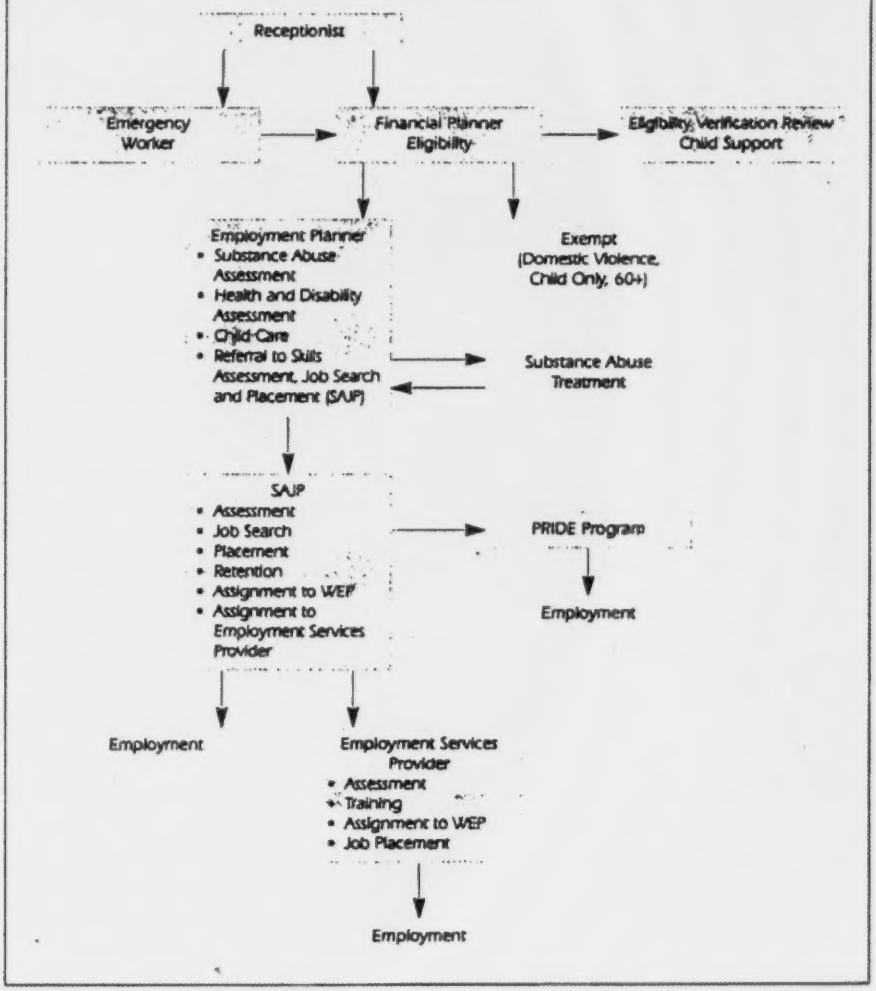
If the resources offered by the financial planner are not adequate to meet the prospective applicant's needs, and she still chooses to apply for cash assistance, she is then referred to an "employment planner," who works with the applicant on several fronts:

- scheduling an EVR interview;
- conducting the state-mandated finger-imaging (the electronic version of fingerprinting);
- preparing an initial assessment of the applicant's employability and an initial employment plan;
- arranging health and substance abuse assessments, when needed;
- arranging initial job search activities; and
- arranging child care.

During the period when her application for assistance is being processed—no more than 30 days for Family Assistance or 45 days for Safety Net aid—the applicant is required to report daily to the job center for assistance in seeking work. Such assistance is typically provided at resource rooms operated by private contractors. These contractors may also provide information about and referrals to education and training programs for which the applicant might qualify. Assisted job search continues either until the applicant finds a job, or until her application is accepted.

Once her application for assistance has been accepted, the former applicant—now a "participant"—may be referred to a ***Skills Assessment and Placement (SAP)*** contractor. SAP contract staff conduct a more detailed assessment of the participant's skills and various barriers to employment while providing more intensive job search assistance.

Figure 3: Participant Flow: Application to Placement



If the SAP contractor does not succeed in placing the participant within a specified period, she may be referred to an ***Employment Services and Placement (ESP) contractor.*** The ESP contractor is responsible for arranging a WEP assignment—if such an assignment has not already been arranged—and monitoring the participant's compliance with the terms of that assignment. The ESP also provides other services designed to enhance the participant's employability, such as English language and basic literacy instruction and high school graduation equivalency diploma (GED) preparation. Finally, ESP staff members are responsible for helping participants make the transition from WEP to regular employment.

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Helping Participants Move from Welfare to Work: HRA's Contractors

Skills Assessment and Placement

- Association for Research and Behavior
- Curtis & Associates
- Federation Employment & Guidance Service (FEGS)
- Goodwill Industries

Employment Services and Placement (prime contractors)

- America Works of New York
- Career & Educational Consultants
- Consortium for Worker Education
- New York Urban League
- Curtis & Associates
- FEGS
- Goodwill Industries
- Non-Profit Assistance Corporation
- New York Association for New Americans
- Research Foundation/CUNY Consortium
- Wildcat Services Corporation

In addition to the basic model of concurrent work experience, education, and employment services offered by ESPs, HRA's employment planners can also authorize participation in a variety of other employment programs. For example, a participant who already has solid basic skills, and perhaps some significant work history as well, might be placed in a program that combines work experience with vocational training—such as Wildcat Services Corporation's financial services training program—aimed at enhancing her ability to secure higher-quality employment.

Other participants may be placed in what HRA calls "enhanced WEP" programs. The most notable of these is the New York City Department of Parks and Recreation's ***Parks Career Training (PACT)*** program. PACT combines a Parks Department WEP assignment with training in areas such as horticulture, skilled maintenance, and driving. From its inception in 1995 through fall 2000, PACT placed more than 1,700 participants in regular employment—more than 80 percent of them in the private sector.

The ***InVEST*** program, funded by the New York State Department of Labor, targets participants who are employed at least 20 hours per week, but who remain eligible for public assistance because their wages are low. The program combines education and vocational training at City University of New York (CUNY) colleges with career development and placement services. InVEST's goal is to increase participants' earnings to a level high enough to allow their public assistance cases to be closed.

Making the WEP Work: The Parks Career Training Program (PACT)

Critics of New York City's Work Experience Program (WEP) have often complained that work experience assignments in city agencies have, by themselves, done little to prepare participants for regular private-sector employment. The Parks Career Training program offers a good example of how an "enhanced WEP" program, as HRA calls it, can in fact be effective in helping participants make the transition to paid employment.

PACT was created in 1994 as a partnership between the Human Resources Administration (HRA) and the Department of Parks and Recreation. Participants are recruited primarily from among public assistance recipients who have been given WEP assignments at parks. Participation in WEP is mandatory, but participation in PACT is not; WEP workers volunteer to join the program.

The department's agreement with HRA calls for PACT to serve 1,000 participants per year; at any given time, about 500 people are enrolled. Since 1994, PACT has placed more than 1,800 participants in full-time private-sector jobs, at an average starting wage of $8.60 per hour.

In addition to performing their WEP assignments, PACT participants can enroll in a number of different work-site training programs in areas such as maintenance, horticulture, security, pest control, and clerical work. They can also attend classes in basic literacy, English as a Second Language (ESL), and GED preparation, and can prepare to take the commercial driver's license test. In addition, PACT staff provides "job readiness" training, referrals to employers, and assistance in writing resumes and preparing for interviews.

Participation in PACT typically lasts about eight months, although staff will begin to schedule interviews much more quickly for those who are deemed job-ready. As participants move toward employment, PACT counselors work with them to address needs in areas such as child care, housing, and other family concerns that might affect their ability to succeed in the labor market. An HRA liaison specifically assigned to PACT helps address any issues relating to transitional benefits. And once participants are employed, PACT retention specialists provide follow-up and support services needed to help ensure a successful transition.

When PACT was first created, about 75 percent of the participants were single men on Home Relief. Today, 75 percent are women with children. Program managers say that as a result, the number of PACT workers needing help in resolving day care problems has grown. The number of participants needing ESL instruction has also increased.

Services to "Special Populations"

Many public assistance recipients face barriers to employment that go beyond a simple lack of education or work experience. In addition to the general approach to moving recipients from welfare to work that is described above, HRA has undertaken a number of initiatives especially designed to meet the needs of special populations.

By some estimates, as many as 20 percent of all public assistance recipients nationwide have some history of alcohol or drug abuse. Any applicant for assistance who in her initial interview indicates that she has some problem with substance abuse is referred to HRA's *Substance Abuse Central Assessment Program (SACAP).* (Current participants may also be referred to the program—for example, if the issue comes up during the course of a recertification interview.) SACAP is operated by a local nonprofit contractor—the National Association on Drug Abuse Problems, Inc. (NADAP)—with support from HRA and the New York State Office of Substance Abuse Services.

Applicants and participants referred to the program undergo a comprehensive assessment by certified alcoholism and substance abuse counselors employed by NADAP. If the applicant or participant is already enrolled in a treatment program, the counselor may review the appropriateness of the program. If she is not in treatment, and the counselor determines that her problem is serious enough, she may be required to participate in treatment as a

condition of receiving assistance. Those who are so disabled by a drug or alcohol problem that they cannot work at all are generally required to be in active treatment at least 15 hours per week, for up to 90 days; after 90 days they are reassessed to determine if they are able to work. Those who can work at least part-time are typically enrolled both in WEP and in some less intensive form of treatment.

In 2000, NADAP completed more than 30,000 assessments of both new applicants and current recipients. Each month, roughly 40 to 45 percent of those assessed are referred for intensive treatment and an equal percentage for treatment concurrent with work activities. As of April 2001, more than 8,100 public assistance recipients were being treated for substance abuse problems.

HRA has during the past few years also sought to develop other resources aimed at helping recipients with histories of substance abuse move toward independence. In 2000, the agency contracted with NADAP and United Behavioral Associates to provide comprehensive community-based services to a total of 2,000 substance abusers. NADAP's Project ACE, launched in January 2001, will provide services to 1,000 Brooklyn residents who have applied for public assistance, have been assessed as having substance abuse problems, and have been referred to local treatment programs. Project ACE case managers will work closely with program participants to see that they actually enroll in treatment and stay with it. Case managers also help participants—most of whom have multiple barriers to employment—obtain other needed services, and, when they are ready, find jobs.

HRA is also participating in *CASAWorks*, an 11-city pilot program developed and managed by the Center on Addiction and Substance Abuse (CASA) at Columbia University. Through the collaboration of several community-based agencies, CASAWorks provides a comprehensive set of services that include substance abuse treatment, mental health services, housing assistance, education, job training, and placement. The lead agency for CASAWorks in New York City is the Women's Housing and Economic Development Corporation, located in the Morrisania section of the Bronx.

Other applicants or participants have some type of disability that is not sufficiently serious to qualify them for either Social Security Disability or Supplementary Security Income (SSI), but which is serious enough to create real barriers to regular employment. For these people, HRA, the New York State Department of Labor, and the New York State Education Department have collaborated on a program called *PRIDE—Personal Roads for Individual Development and Employment*. PRIDE contractors conduct comprehensive evaluations of participants' potential for employment. As a result of these evaluations, some may be referred to the New York State Education Department's Office for Vocational and Educational Services for Individuals with Disabilities (VESID). Others are enrolled in a program that combines work experience with training and supportive services. Still others will be referred for assistance in preparing an application for federal disability benefits under the SSI program.

EarnFair: Building a New Infrastructure of Opportunity

By contracting out to employment service providers the responsibility to help public assistance recipients move into the work force and off the welfare rolls, New York City has in effect created an opportunity to test on a large scale a variety of approaches to helping recipients move toward self-sufficiency. One of the most innovative and most ambitious of these approaches is that of the EarnFair Alliance.

The EarnFair Alliance was established in 2000 by the Non-Profit Assistance Corporation (N-PAC). It grew out of a pilot project called NSP Works, which provided comprehensive employment services to Family Assistance recipients in Washington Heights, Mott Haven, and Williamsburg. NSP Works, which was funded by the U.S. Department of Labor under the Clinton Administration's Welfare-to-Work program, grew out of the Neighborhood Strategies Project, an experiment in collaborative neighborhood-based development initiated and funded in the mid-1990s by the New York Community Trust. The Alliance includes:

- Non-Profit Assistance Corporation, acting as a prime contractor to HRA, financial intermediary, and developer of common programs and resources;
- a network of nine community-based organizations (CBOs) serving participants in Manhattan, Bronx, Queens, and Brooklyn neighborhoods; and
- EarnFair LLC, an innovative employee leasing business that provides high-quality employment opportunities for people served by the EarnFair network.

The program includes three major elements:

- *pre-employment services*, provided or arranged by the nine CBOs;
- *access to jobs*—through neighborhood-oriented employer contacts developed by the CBOs, through N-PAC's relationships with major corporate and institutional employers, or through EarnFair LLC; and
- a series of *post-placement enhancements* for participants.

Post-placement enhancements are among the program's most innovative elements. The participating CBOs must commit to a program of regular follow-up and ongoing case management that goes well beyond the retention services mandated by the Human Resources Administration. In addition, participants who get jobs through EarnFair are eligible for free checking and economic literacy training at Citibank; for the creation of Individual Development Accounts in which employee savings are matched by N-PAC on a three-to-one ratio; and for occupational skills training at several City University of New York colleges.

N-PAC's relationship with the local organizations participating in the EarnFair Alliance goes well beyond the traditional prime contractor/subcontractor relationship. N-PAC has developed a common program model that is used by all of its community partners. It has developed a standard curriculum for job-readiness training, and it has established standards for case management and post-placement services—standards that are higher than those for Employment and Placement Services contractors that are set by HRA. N-PAC is also working with its partners to develop a common management information system.

N-PAC has aggressively sought to develop new resources that can help its partners serve their communities. It has, for example, secured $4.1 million dollars under the New York State Department of Labor's Wage Subsidy Program. Half of these funds are allocated to the CBOs to facilitate placement of participants in private employment; the remaining half is used to subsidize the operations of EarnFair LLC. Recently, N-PAC obtained a grant through the U.S. Department of Transportation's Job Access and Reverse Commute program, which will be used to provide van service to areas with large concentrations of employment—such as Kennedy Airport and parts of southern Westchester—that are not easily reachable by mass transit. N-PAC has also negotiated a partnership with the Board of Education under which Board teachers provide English language instruction at each of the nine CBOs.

By managing the Alliance's ongoing relationships with HRA, N-PAC has allowed its community partners to do what they do best—focus on serving participants and developing relationships with local employers. Through an innovative partnership with the United Way of New York City, N-PAC has also been able to reduce the financial risks inherent in the city's performance reimbursement system. The United Way has provided N-PAC with a $320,000 line of credit that allows the nine CBOs to be paid more quickly than they would if they had to wait for N-PAC to be paid by HRA.

As of April 2001, the EarnFair Alliance had placed more than 700 participants in jobs. The average wage at placement has been $7.74 per hour. The Alliance's goals for 2001 include adding several CBOs to its network, increasing high-wage placements (those paying more than $9.84 per hour) to at least 25 percent of all placements, and expanding its services to jobless or underemployed people not receiving public assistance.

EarnFair's Community Partners

CCRP, Inc., Mid-Bronx
Center for Family Life, Sunset Park
Citizens Advice Bureau, Mott Haven
Cypress Hills Local Development Corporation, Cypress Hills
Henry Street Settlement House, Lower East Side
Northern Manhattan Improvement Corporation, Washington Heights
Plus XII Youth and Family Services, Soundview
Safe Space, Jamaica
St. Nicholas Neighborhood Preservation Corporation, Williamsburg

Supporting the Transition to Employment

As a result of the changes outlined above, by December 1999 just under half of all adult public assistance recipients in New York City were engaged in some type of "work activity"—actual employment, supervised job search, WEP, or some other approved activity. Since then the percentage of the caseload engaged in work activities has declined slightly, to about 46 percent of all cases—a total of approximately 102,000 people engaged in work activities.[12] (The decline appears to reflect the fact that during the past few years, many recipients with at least some potential for work have already made the transition into the work force. Those who remain on the rolls may be less ready or able to work, an issue that will be discussed in Part Five.)

These participants are entitled to various forms of assistance designed to help them make the transition to employment.

- **Child Care**

  HRA pays for child care for all public assistance recipients with children under the age of 13 who are employed or engaged in approved work activities. Child care specialists at each job center or income support center are responsible for helping applicants and recipients find and arrange suitable child care. Parents may choose to use any provider—a day care center, a licensed family day care provider, or an unlicensed, informal provider. If the parents do not already have a preference, the center's child care specialist will refer them to at least two licensed providers that are known to have available vacancies.

  If a parent chooses to use an informal provider—typically a friend or relative—both the parent and the provider must certify in writing that the home in which the child is cared for is safe. Moreover, to be eligible for payment by HRA, informal providers are limited to caring for no more than two children (other than their own).

  In addition, public assistance recipients whose cases are closed as a result of employment or increased earnings and whose earnings fall within income-eligibility guidelines are eligible for HRA-financed child care for an additional 12 months.

  As of the end of 2000, HRA was funding day care for more than 36,000 children of current or former public assistance recipients, most of whom were being cared for in informal settings. In fiscal year 2000, the agency's spending on child care totaled $121 million.

- **Medicaid**

  Generally speaking, all families that are receiving recurring cash assistance are also eligible for health care coverage under the Medicaid program. However, because PRWORA

"de-linked" eligibility for cash assistance and Medicaid, participants whose public assistance cases are closed may, depending on their income, remain eligible for Medicaid as well—especially if their earnings are not enough to lift family income above the poverty level. At some point, of course, a family may lose its eligibility for Medicaid as well due to increased earnings. In order to provide an incentive for employment and increased earnings, however, PRWORA authorizes states to provide Transitional Medical Assistance for up to 12 months to families that have lost regular Medicaid eligibility as a result of employment or increased earnings.

Beyond this one-year transition period, many children of low-wage working parents will still be eligible for health care coverage, either under Medicaid or under Child Health Plus—the program created by New York State under the state Child Health Insurance Program authorized by Congress in 1997. This program is discussed in greater detail in Part Four.

- **Food Stamps**

Under PRWORA, TANF recipients remain categorically eligible for food stamps. Families that leave the welfare rolls due to employment or increased earnings may continue to be eligible for food stamps, especially if their earnings are less than 130 percent of the poverty level (about $22,000 for a family of four in 2000). A family of four with one wage-earner working at the minimum wage, with no deductions for excess shelter or child care costs, would typically be eligible for about $166 per month in food stamp benefits—about $2,000 per year. However, when public assistance recipients start earning enough to leave the welfare rolls, they are required to reapply for food stamps as "nonpublic assistance" cases.

From Welfare to (High-Wage) Work

While comprehensive information on the earnings of people who leave the welfare rolls for work is not currently available, data from several major welfare-to-work programs suggest that starting wages typically average between $7.50 and $8.00 per hour. With appropriate training and support, however, some public assistance recipients are able to obtain jobs that offer significantly higher wages.

Several of New York City's leading financial services companies have been actively involved in welfare-to-work efforts since the mid-1990s. Salomon Smith Barney, for example, has been collaborating with Wildcat Services Corporation since 1996. The Wildcat-Salomon program includes 16 weeks of training and a four-month paid internship, after which participants are considered for full-time employment. Through January 2001, the company had hired 116 graduates of this program in a wide range of white-collar jobs—as secretaries, administrative assistants, account clerks, receptionists, and customer service representatives, among others.

J.P. Morgan Chase & Co. has offered a program called Chase Transitions since 1997. Chase works with three service providers—Wildcat, Goodwill Industries, and Federation Employment and Guidance Service (FEGS)—that recruit and screen candidates and provide preemployment training for three types of jobs—tellers, customer service representatives, and ATM operations technicians. As of October 2000, Chase had hired 150 public assistance recipients through the program. Both companies offer program participants full-time employment with full benefits at salaries that range from the low to upper $20,000s.

Representatives of both J. P. Morgan Chase and Salomon Smith Barney express a high level of satisfaction with the results of these programs. Benefits include reduced recruitment costs, high levels of employee loyalty, and reduced turnover. Both also cite some common factors in their success: excellent up-front training, the support of managers under whom the new recruits will work, full integration of welfare-to-work participants into the companies' regular work force, and the continued provision of post-placement services by companies' nonprofit partners.

Sanctions for Nonparticipation

Even with the wide range of services and program options available, a significant number of recipients in New York City have been unwilling to participate in activities intended to help them move toward independence. As of April 2001, sanctions were in effect in 15,600 cases —7 percent of the total caseload. An additional 24,400 cases, representing 11 percent of the caseload, were in some stage of the process leading up to imposition of sanctions—for example, a "notice of intent" to sanction had been issued, or the recipient and HRA staff were engaged in a conciliation process, or the recipient had formally requested a fair hearing.

According to HRA, in the great majority of these cases sanctions are being imposed or threatened due to the recipient's refusal to participate in required work activities or other required activities such as drug treatment. In disputes over nonparticipation, however, reality is not always clear. Whether or not recipients have valid reasons for nonparticipation is often a judgment call; when recipients appeal the imposition of sanctions through the "fair hearing" process, the judgment of HRA workers is often overturned.

PRWORA allows states to suspend the entire payment due to a recipient of TANF assistance whenever an adult recipient refuses to comply with work requirements. Under New York State law, however, the sanction that a local social services district may impose is limited to the reduction of the monthly benefit by an amount that represents the noncompliant adult's share of the grant; benefits continue to be paid, in other words, on behalf of the children. As of March 2001, New York was one of only 14 states that did not impose a "full family sanction"—cutting cash assistance to zero—for noncompliance with work or other requirements.[13]

Both federal and state law require that suspension or termination of cash assistance due to noncompliance with work requirements should not automatically result in a loss of Medicaid eligibility. In 1998, the Welfare Law Center and the Legal Aid Society filed suit against HRA (*Mangracina v. Turner*), charging that the agency was regularly terminating Medicaid in violation of this requirement. It was revealed during the course of the case that the state had failed to reprogram its computerized eligibility system (the Welfare Management System) to separate Medicaid eligibility from receipt of cash assistance, and that HRA had not provided training for its front-line workers concerning the law's new requirements. The city and the state recently agreed to a settlement, under which the state has made the needed changes in the Welfare Management System, and HRA is training its staff concerning the continuation of Medicaid eligibility.[14]

Detailed data on the characteristics of cases under sanction—or of families that have left the welfare rolls after being penalized for noncompliance—are not currently available. However, research conducted in other states suggests that sanctioned adults tend to have more serious problems than nonsanctioned adults. They are more likely to be high-school dropouts and to have a higher incidence of physical, mental health, and drug abuse problems.[15] Similarly, a 2000 study of 50 New York City "welfare leavers" found that recipients who left the rolls as a result of having been sanctioned were much less likely to be employed. While half of the 50 former recipients had been employed at least some of the time since they left welfare, only 21 percent of those who had left as a result of sanctions had been employed.[16]

In 1999, HRA conducted a pilot test of a procedure designed to resolve disputes more quickly that might otherwise lead to sanctioning of the client. Under this procedure, called

Mandatory Dispute Resolution (MDR), a recipient who files a request for a fair hearing is first required to participate in an HRA administrative process that is aimed at resolving any outstanding issues between HRA and the recipient and at getting the recipient to participate in required activities. Historically, 93 percent of all fair hearing requests had actually resulted in a hearing; under the MDR pilot, that percentage fell to 37 percent, as most cases were resolved before the hearing took place. As a result of the pilot's success in expediting resolution of participants' issues and reducing the number of hearings, HRA began implementing MDR citywide in 2000.

Despite the initial success of MDR, a significant proportion of the city's adult public assistance recipients were under sanction in April 2000. Many of these families are ultimately in danger of losing benefits altogether, especially as they approach the five-year federal time limit. In order to provide an alternative approach to engaging and working with these recipients, in 2000 New York City began contracting with four organizations: the South Bronx Overall Economic Development Corporation, Harlem Congregations for Community Improvement, the Allen Memorial Church, and Mission of Mercy. Each of these contractors has in turn organized a network of churches and community groups that reach out to and seek to engage adults who have been sanctioned. The goal is to help sanctioned adults resolve any issues that might be keeping them from participating in required activities. To date, HRA has referred approximately 2,000 cases in which sanctions have been imposed to this network for further outreach and services.

Managing the System

The reorientation of the HRA bureaucracy away from emphasizing reliance on cash assistance toward emphasizing work is a complex process. In order to manage that process more effectively, HRA has developed and implemented a number of changes in the management of the city's welfare system. The most basic of these changes is the previously described reorganization of income support centers into job centers. In order to provide more intensive support and guidance to the centers, HRA has also appointed six regional managers who work closely on a day-to-day basis with center directors and staff.

HRA is also working to use technology more effectively in the management of its programs. Its Paperless Office System integrates application processing, workflow management, and other functions into a single system. This system, which was originally introduced at the Melrose Center in the Bronx, is gradually being expanded to all centers.

Perhaps the most innovative of HRA's administrative changes is a new management system called JobStat. Modeled on the New York City Police Department's highly successful CompStat system, JobStat requires job center directors to report on a weekly basis on a series of indicators that measure participants' progress through various stages of engagement, from initial intake through employment.

The Impact of New York City's Efforts

The program changes put in place at HRA during the past three years, combined with the continued strength of the city's economy, have yielded three significant results to date: the continued decline of the city's public assistance caseload, a shift in city spending from cash assistance to services aimed at helping recipients make the transition from welfare to work, and a sharp increase in the number of participants placed in jobs.

- Between December 1997 and December 2000, the number of persons receiving Family Assistance or Safety Net benefits in New York City declined from 809,000 to 537,000—a drop of more than 33 percent. Since its peak in March 1995, the city's public assistance caseload has declined by 55 percent. (See Figure 4.)
- Average monthly spending on cash assistance has declined from $248 million in 1994 to $110 million in the first half of 2001. At the same time, spending on support services has risen sharply. HRA estimates that in fiscal year 2001, it spent nearly $645 million on support services, including $142 million on child care, $60 million on contracts with employment service providers, $77 million on substance abuse services, and $28 million on transportation allowances for participants in work programs. HRA estimates that between 1993 and 2001, spending on support services has increased from an average of $317 per adult recipient to $2,975.
- As of April 2001, more than 80,000 public assistance cases—36.4 percent of all public assistance cases in New York City—involved an adult who was either employed or engaged in some approved work activity. Nearly 19,000 more—an additional 8.4 percent—were in the early stages of the process; that is, they had scheduled their initial assessments, were awaiting the results of a health assessment, or had not yet started a WEP assignment.
- As of April 2000, more than half of all WEP workers were also receiving other services designed to help move them toward self-sufficiency, such as basic skills training, ESL classes, and drug rehabilitation.
- In 2000, the number of public assistance recipients hired in regular employment increased to nearly 122,000—nearly four times the number of placements reported for 1995. HRA also reports that nearly 11,000 nonpublic assistance food stamp recipients entered employment in 2000.[17]

JobStat: A New Approach to Managing the Human Resources Administration

Since the Human Resources Administration was first created more than 30 years ago, it has had a generally well-deserved reputation as one of the most difficult to manage of all city agencies. As the city began in the late 1990s to set new, ambitious goals for the overhaul of its public welfare programs, it became clear that the ability of the agency's top managers to monitor what was happening in the field, to track their progress toward program goals, and to hold managers accountable for their performance would be critical to their success.

The product of that realization has been JobStat. Based on the model of the New York Police Department's highly successful and widely copied CompStat system, JobStat tracks the performance of HRA's job centers and income support centers on a weekly basis.

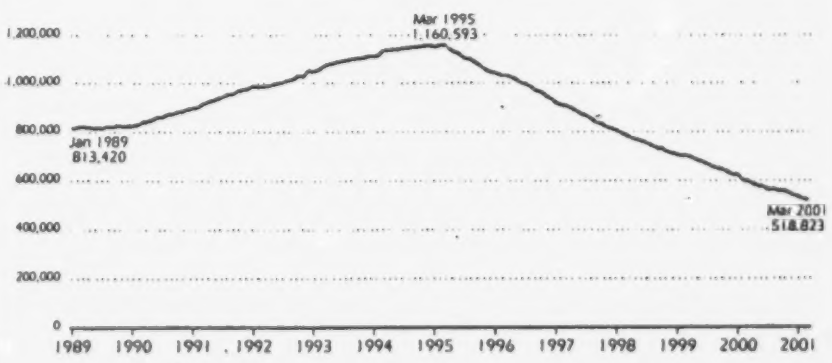
The system uses two sets of detailed indicators. One deals with basic measures of administrative performance, such as timeliness in processing applications for assistance, error rates, the time required to correct errors after they have been detected, and timely completion of scheduled recertifications. The other deals with the movement of participants through various stages of the engagement process, from initial assessment through employment.

In addition to reviewing reports from all centers on a weekly basis, HRA's top managers spend one morning each week meeting with the directors and top staff of two centers. These sessions provide an opportunity to focus on issues and problems that have surfaced in the weekly reports—for example, a sudden increase in error rates or a sudden increase in the number of people being sanctioned for noncompliance with work requirements. They also permit HRA's top managers to discuss current issues and priorities with center directors. At a recent session, for example, Commissioner Jason Turner and his deputies discussed with two Brooklyn center directors their progress in calling in for consultation recipients who will be reaching the five-year federal time limit in December 2001 and how the directors plan to help those recipients move toward independence.

Since JobStat was first implemented, it has been extended to SAP and ESP contractors. Each weekly JobStat session now includes one of these contractors as well.

JobStat has dramatically changed the management of HRA. It allows managers to identify emerging or enduring problems, to plan corrective actions more intelligently, and to determine if those actions are working. It enables them to set priorities for the investment of agency resources—by, for example, providing additional support to a center that is having problems. And it permits them to evaluate with far greater precision than ever before the performance of their center directors and staff, as well as their contractors.

Figure 4: New York City Public Assistance Caseload (Recipients)



Source: New York City Human Resources Administration

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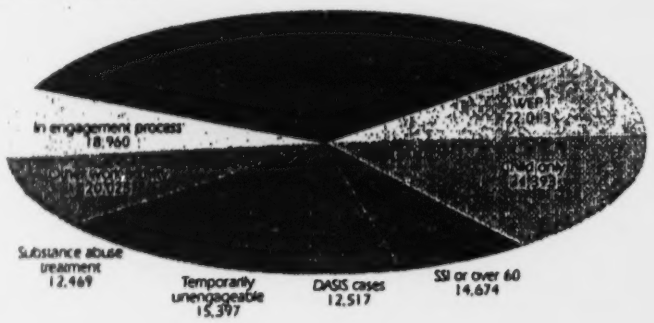
Figure 5: Public Assistance Cases, April 2001

Total number of cases = 221,291



Source: New York City Human Resources Administration

The movement of people from welfare to work is not just a programmatic success for New York City. For many of those involved, it is, even more, an important personal success—a fact to which participants in focus groups conducted for this study give testimony.

> *There is less stress with a job, more independence. I am financially better off, and I get to spend more quality time with my kids.*
>
> *I'm better off today than I was a year ago. I am gainfully employed, and I'm financially better off...Unemployment created a problem with my marriage, but now the stress level is back to normal.*
>
> *I'm better off with my job. My kids are happier because now my home is more of a home, and we communicate better than ever.*
>
> *My life has changed. My daughter does not speak Spanish, so I'm happy that I'm learning English. I can communicate better with her.*
>
> *Since I started looking for work, every day my personality has changed. I am always looking for something new from the day. I value myself more as a person. I want to get a job, get out of the system, and be more productive.*

Some of the dramatic decline in the public assistance caseload—and some part of the rapid rise in the number of recipients entering employment—are of course attributable to the strength of New York City's economy. Moreover, the significance of the number of job placements reported by HRA is difficult to assess in the absence of additional information, such as:

- the number of people who were hired in short-term, temporary jobs, or who are working part-time;
- the wages earned by people moving into the work force; and
- the number of people who have lost their jobs and returned to the welfare rolls.

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Furthermore, to date there has been little information available on New York City families that have left welfare without having jobs. Nor has there been information on those who have never made it onto the rolls because they were "diverted" at the front end of the application process or because of restrictions on the eligibility of immigrant families. Still, given the size of its caseload at mid-decade, and its rapid growth between 1989 and 1995, the city's performance in recent years is impressive. Between March 1995 and March 2001, the number of New York City residents receiving public assistance fell by more than 625,000—a number that is larger than the entire population of Washington, D.C.

The city's success in reducing its caseload does not, of course, mean that its performance in moving low-income families from welfare to work has been flawless, or that its approach to achieving the stated goals of PRWORA and the New York State Welfare Reform Act has been free of controversy. Some of these controversies—such as the claim that the Eligibility Verification Review process resulted in frequent denial of benefits to eligible applicants, and charges that the job centers' practice of seeking to "divert" people from the welfare system illegally deters people from filing applications for benefits—have already been cited. Part Five of this report will explore a variety of other issues and problems presented by HRA's implementation of welfare reform. Before addressing those issues, however, we will briefly describe other sources of support outside the scope of the welfare system that are available to New York City's low-income families.

PART FOUR
Other Support for Low-Income Working Families

While the media, public officials, and advocacy groups have often tended to focus on changes in the welfare system, the past decade has seen major changes in other sources of support available to low-income working families. These programs include:

- The Earned Income Tax Credit
- Health insurance
- Child care
- Child support
- Unemployment insurance
- Employment and training services
- Housing subsidies

The Earned Income Tax Credit

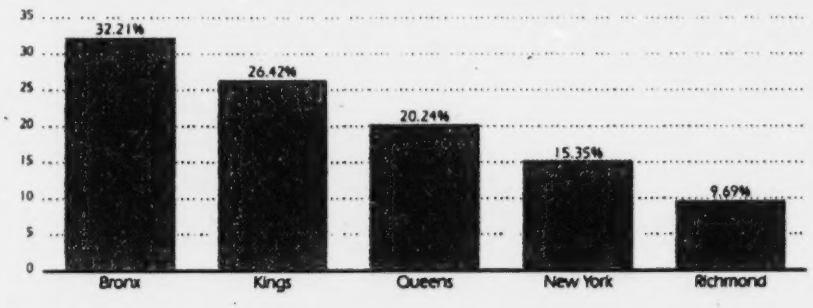
The federal Earned Income Tax Credit (EITC)—first enacted in 1975 and expanded in 1986, 1990, and 1993—supplements the wages of low-income workers. Eligible taxpayers can use the credit to offset any personal income taxes payable to the federal government. Moreover, the EITC is refundable. If the value of the credit to which a taxpayer is entitled exceeds his or her tax liability, the Internal Revenue Service (IRS) will pay the difference in cash.

The EITC is especially beneficial to families with a parent who works full-time at very low wages. A family of four with one wage earner working full-time at the minimum wage in 2000 would be eligible for the maximum federal credit of $3,888—an amount that would effectively increase after-tax income by about 40 percent. The value of the credit declines gradually as earnings increase, until at $31,152 (for a family with two or more children) it is phased out completely.

The IRS also provides an Advance EITC option, under which employers may offer eligible employees the option of having half the estimated value of the EITC—including, if it applies, the refundable portion—added to their paychecks. Workers who use this option do not have to wait to realize the benefits of EITC until they file a tax return, and they begin to reap the benefit in their weekly or bi-weekly take-home pay.

Especially since its expansion in 1993, the federal EITC has become an important source of support for low-income families. The National Center for Children in Poverty estimates that the credit, which currently costs approximately $30 billion annually, adds enough to the earnings of working poor families to lift the families of more than 2.5 million children in the U.S. above the poverty level.[18]

Figure 6: Federal Earned Income Tax Credit (EITC) Utilization for Each of New York City's Five Counties, Tax Year 2000—Percent of Tax Return with EITC Claims



Source: Internal Revenue Service

A total of 667,523 New York City tax filers claimed the credit on their 1998 tax returns—22 percent of all federal tax filers in the city. The percentage of all filers claiming the credit ranged from 9.7 percent on Staten Island to 32.2 percent in the Bronx. (See Figure 6.) The total value of credits claimed was $1.09 billion, an average of $1,608 per filer.

Since 1994, New York State has also had a refundable earned income credit. The state's credit was initially pegged at 7.5 percent of the federal credit, and was later increased to 20 percent. Legislation enacted in 2000 authorized a further increase to 30 percent of the federal credit, to be phased in between 2000 and 2003. At its current level of 22.5 percent, the state credit is worth $875 to a wage-earner who is eligible for the maximum federal credit.

For tax year 2000, New York was one of only 15 states (plus the District of Columbia) with a state earned income tax credit program, and one of only 10 in which the credit is refundable. The terms of these credits vary from state to state; currently, only Minnesota and Vermont have more generous credits than New York.[19]

The value of credits claimed under the state earned income tax credit program has grown sharply since it was first introduced. In 1994, some 478,144 tax filers living in New York City claimed $40.7 million in state tax credits, an average of $85 per filer. In 1998, some 634,367 filers living in the five boroughs claimed $198.9 million—an average of about $314 per filer. This represents an average increase of $229 per filer between 1994 and 1998.

Taken together, the federal and state earned income tax credits represent a significant enhancement of the income of low-income working families, with a total value of nearly $1.3 billion for 1998. For a family of four with one full-time worker in a minimum-wage job, the combined credits represent the equivalent of an additional $2.44 per hour in net wages. It seems likely that the additional income provided by the federal and state earned income tax credit programs would provide a significant incentive to move from welfare to work. Recent research appears to confirm this. One study concludes that increases in the EITC account for 21 percent of the nationwide increase in labor force participation of one-child single parents on welfare between 1993 and 1998 and 45 percent of the rise in labor force participation among single parents on welfare who had two or more children.[20]

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Several employment service providers interviewed for this study—especially those serving the South Bronx—report that use of the EITC by participants who find jobs is near-universal. Several providers use VITAs—tax preparers in the Internal Revenue Service's Volunteer Income Tax Assistance program—to help their clients complete their tax returns and file for the EITC. Two service providers also work with participants and employers to encourage use of the Advance EITC option.

> *The EITC is the one thing we do with people that you can feel really good about. You help them fill out the form; you know they're actually going to get the money.*

Several other service providers, however—especially in Washington Heights—suggested that participants in their programs were not as consistent about taking advantage of the EITC. As one noted:

> *EITC is great, but you have to remember that many of these people have never filed an income tax return before. Many are not even familiar with the concept.*

The concerns expressed by these providers appear to be confirmed by the results of focus group discussions with current and former recipients conducted for this project. Several participants said they had heard of the program, but had no clear idea of how it works. A few said they had not been told about it at all. The concerns are perhaps confirmed as well by research conducted during the 1990s that found that 80 to 85 percent of those eligible for the EITC were using it.[21] This exceeds the participation rate for most social benefit programs and is clearly an indicator of the program's success. But if applied to New York City, these participation rates would suggest that there are at least 100,000 households in the city that are eligible for the credit but not claiming it.

Health Insurance

One of the greatest difficulties that low-income working families face is access to health care. Low-income parents are often especially concerned about being able to get health care for their children. Between 1997 and 1999, according to the Current Population Survey, 20.6 percent of all children in New York State families with incomes below 200 percent of the poverty level had no health insurance coverage.[22]

Concern about the health of children whose family incomes were too high to qualify for Medicaid but too low to pay for adequate health care led Congress to create the State Child Health Insurance Program (CHIP) in 1997 to help states finance free or low-cost health care coverage for children in low-income families. New York State was one of several states that had already created its own state-sponsored insurance program for low-income children—Child Health Plus (CHP). Because it already had a program in place, New York was able to use the new federal funding effectively to increase the number of children served. In fiscal year 2000, New York was one of only 10 states to fully utilize the funds allocated to the state under CHIP.[23]

For children in families with incomes below 150 percent of the poverty level, Child Health Plus provides health care coverage without deductibles or copayments. For those with incomes between 150 and 250 percent of the poverty level, it requires deductibles and copayments according to a sliding scale.

As of April 2001, more than 303,000 New York City children were enrolled in Child Health Plus[24]—approximately 15 percent of the city's population below age 18. New York's success in building participation in the program is in part due to its use of community-based organizations to market the program and enroll eligible children.

Some critics of New York's program note that it still has not reached all eligible children. They suggest that CHP's enrollment and recertification procedures are too complex. The New York State Department of Health has responded by taking several steps to simplify CHP paperwork, including the development of a single application that can be used to enroll children, depending on their eligibility, either in Medicaid or in Child Health Plus.

In December 1999, the state legislature approved a major expansion of New York's state-sponsored health insurance program, extending coverage to adult members of most eligible families. Implementation of this new component, called Family Health Plus, was delayed for more than a year as a result of disputes between the state and the U.S. Department of Health and Human Services concerning the terms on which Medicaid funding could be used to support the program. This dispute was resolved in May 2001, and the state is now proceeding with implementation of Family Health Plus.

Child Care

For many parents who work in low-wage jobs, finding affordable, reliable child care can represent a major challenge. As noted in Part Three, HRA finances the provision of child care for recipients who are working or engaged in work activities and will also provide transitional child care subsidies for up to one year for parents whose welfare cases are closed as a result of employment or increased earnings. The city's support for child care for low-income working families is not, however, limited to those who are making the transition from welfare to work. The Agency for Child Development (ACD)—a division of the city's Administration for Children's Services—also provides child care for working parents with incomes up to 200 percent of the poverty level (that is, up to $28,300 for a family of three).

Parents not on welfare can apply for child care assistance through ACD's borough offices. ACD workers interview applicants, determine eligibility, and set the fees parents are required to pay. (Fees are set on a sliding scale, ranging from $1 to $90 per week, depending on family income and the type of care provided.) ACD can either place children in programs that the agency funds directly or issue vouchers that parents can use to purchase care. If no appropriate vacancies are currently available—or if the agency has used its full allocation of vouchers—the family will be placed on a waiting list.

In fiscal year 2000, child care subsidies provided through ACD totaled $465 million. (This amount is in addition to the $121 million spent by HRA, as cited earlier, in providing child care for family assistance recipients who are employed or engaged in other approved activities.) In the fall of 2000, more than 54,000 children were enrolled in ACD-subsidized day care, and nearly 16,000 more were in Head Start programs supervised by ACD.

Low-income families who have income tax liabilities can also benefit by using federal and state child and dependent care tax credits. For example, a single parent with an annual income of $22,000, one child in care, and annual child care costs of at least $2,400 would be eligible for a federal credit of approximately $550 and a state credit of more than $600.

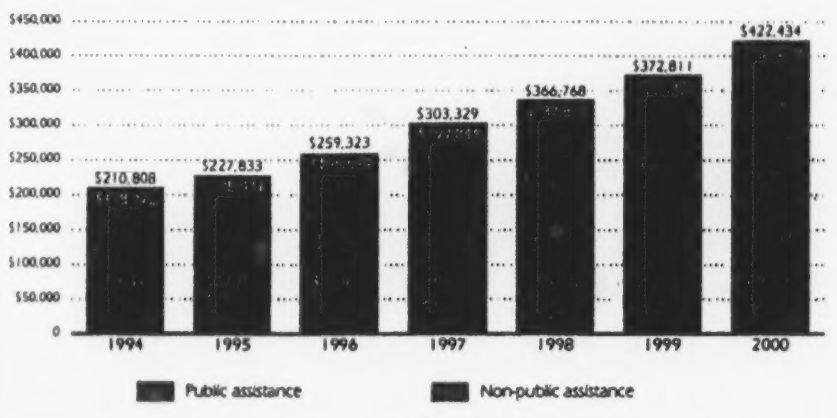
Child Support

In the quarter-century since Congress enacted Title IV-D of the Social Security Act, child support enforcement has become an important element in the nation's overall approach to meeting the needs of low-income women and their children. During the program's early years, its primary emphasis was on the establishment of paternity and the enforcement of absent fathers' child support obligations as a means of reducing the public assistance costs. The requirement that state and local child support agencies also make their services available to women not on welfare was almost an afterthought.

But over the years, as public assistance caseloads have declined, and as successive waves of federal and state legislation have strengthened local agencies' enforcement powers, mothers who are not receiving public assistance have come to represent a large majority of those served by the child support enforcement program.

The city's Office of Child Support Enforcement (OCSE) is part of the Administration for Children's Services and provides several services to custodial parents who are not on welfare. OCSE assists in the establishment of paternity, in getting orders for support, in collection of payments from the noncustodial parent, and, when necessary, with enforcement actions. In fiscal year 2000, OCSE collected a total of $422.4 million in child support payments, of which $327.2 million—77.5 percent—was paid to families *not* receiving public assistance. OCSE estimates that these families received an average of $250 per month in child support. As Figure 7 shows, child support collections in New York City doubled between 1994 and 2000. Collections on behalf of nonwelfare families accounted for virtually all of this increase. Many of the nonwelfare families on whose behalf OCSE collects child support payments are, however, former recipients of public assistance.

Figure 7: Child Support Collections, FY 1994–2000



Source: City of New York, Office of the Mayor. (2001). Mayor's Management Report, February 2001. New York, NY: City of New York.

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OCSE's services are offered to all families without regard to income, and no data are currently available on the incomes of the nonwelfare families that use those services. But research at the national level suggests that the great majority of those who use the public child support system are in fact low-income families.

While increases in child support payments clearly help low-income mothers and their children, there are limits to the gains that can be expected from more vigorous enforcement. Nationwide, notes Professor Irwin Garfinkel of Columbia Univerity's School of Social Work, 30 percent of all nonresident fathers earn less than $14,000 per year. "Child support payments from fathers with low and irregular earnings will, at best, be low and irregular. To expect more is utopian."[25]

Unemployment Insurance

Since the 1930's, unemployment insurance (UI) has been an important part of New York's support system for low-wage workers and their families. To qualify for UI benefits, a jobless worker must meet a set of criteria relating to wages earned and time worked that are defined in state law. Under the standard criteria, an applicant must have worked in covered employment—in a job for which the employer paid state unemployment insurance taxes—during at least two quarters within a base period, defined as the first four out of the five quarters preceding his or her application. Further, the applicant must have earned at least $1,600 during his or her highest-earning quarter during the base period and must have total earnings during the base period equal to at least 150 percent of highest-quarter earnings. Finally, the applicant must be seeking and available for full-time employment.

The weekly UI benefit to which a jobless worker is entitled is set at one-twenty-sixth of total earnings during the highest-earning quarter of the base period, up to a maximum that is set by the New York State Labor Department at one-half the average weekly wage for covered employment in New York. (The current maximum is $405.) Under this formula, a worker who was employed full-time during all 13 weeks of the quarter at a wage of $8.00 per hour would be entitled to UI benefits of $150 per week.

During 2000, the New York State Department of Labor paid a total of $703 million in unemployment insurance benefits to approximately 204,000 New York City residents. The average value of benefits per claim was $3,446. While UI is not an income-tested benefit, it seems clear that many of those who file UI claims had qualified while working in lower-wage jobs. During the last quarter of 2000, the average weekly benefit paid to UI claimants in New York City was $251.79.[26] To qualify for that amount, a worker would have had average weekly earnings of approximately twice that level, or about $504 per week.

In 2000, the state legislature enacted a seemingly minor but nonetheless significant change in the criteria under which jobless workers qualify for UI benefits. An applicant may now elect to use an alternate base period, defined simply as the four calendar quarters preceding the date of application. New York is one of only nine states that currently offer this alternative.

The effect of this change on workers who have recently entered or reentered the labor force can be illustrated through the following example. After spending several years on public assistance without working, a woman obtains a full-time job. After five months of steady

work, she is laid off. Under the standard criteria, she would not yet qualify for UI, because she had only worked during one quarter of a base period defined as *the first four of the five* completed calendar quarters preceding her claim. However, using the alternate base period, she qualifies more quickly because she worked in two of the four completed calendar quarters preceding her claim.

The alternate base period allows people with limited work histories to qualify more quickly for unemployment insurance benefits. It thus reduces somewhat the risks involved in moving from welfare to work. It could prove to be particularly beneficial if in the months ahead the local economy slides into recession, leaving many of those who have only recently entered the work force vulnerable to layoffs.

Employment and Training Services

Many people who are employed in low-wage jobs have the potential to significantly improve their earnings, but need help in getting access to higher-paying jobs. In some cases, they need help in acquiring the skills and credentials needed to compete for those jobs as well. In New York as elsewhere, helping these workers increase their earnings is one of the many responsibilities assumed by a diverse network of employment and training service providers.

Historically, the publicly funded employment and training system in the United States has not been particularly effective in helping low-wage workers improve their earnings. It has instead focused primarily on the needs of two groups: the long-term unemployed and dislocated workers. In her study of low-wage workers in Harlem, sociologist Katherine Newman described this group as America's "invisible poor."[27]

The Workforce Investment Act (WIA) has provided states and communities with an opportunity to address the problems of underemployed low-wage workers. New York State's Workforce Investment Plan acknowledges the needs of this group and affirms a commitment to serve them. The plan notes that "upgrading the skills of incumbent workers will be required to keep New York State businesses competitive, minimize worker underemployment, and to keep pace with technological change."[28]

Federal funding provided to New York City under the Workforce Investment Act totals $125 million. In its initial five-year plan, the city explicitly cites "training services [for] low-income families who are not on public assistance and low-income incumbent workers" as one of its priorities. The plan notes that low-income incumbent workers have a particular need for training that allows them to earn job-related credentials and for services that are accessible during the evening and on weekends.[29]

New York City, however, has lagged behind most other communities in implementing WIA. The city barely met the July 2000 statutory deadline for formally implementing the new law. As of summer 2001, only one of the "one-stop centers" mandated by the new federal law (located in Jamaica, Queens) was operating in New York City. The Human Resources Administration issued a request for proposals for the establishment of six additional centers in April 2001.

Fortunately, low-wage workers do not depend solely on the publicly funded employment and training system for opportunities to upgrade their skills and get access to higher-paying jobs. Throughout the city, there are many independent programs (some of which may in part be supported with public funds) that seek to address the needs of the working poor. For example:

- The Garment Industry Development Corporation offers a number of courses aimed at upgrading the skills and increasing the wages of entry-level garment workers. Most classes are conducted during the evening to accommodate the schedules of working participants.
- Through its Job Connections program, the Morningside Area Alliance seeks to place underemployed Harlem residents in high-wage administrative, clerical, maintenance, and service jobs at Columbia University and other major institutions in Morningside Heights.

Moreover, for those who have the education, skills, and resources to take advantage of them, the city's community colleges offer a variety of career-oriented courses and certificate programs. Other, more specialized schools such as the Fashion Institute of Technology, the College of Allied Health Professions at SUNY Downstate, and New York City Technical College offer such courses as well.

Housing Assistance

The high cost of housing in New York City imposes a heavy burden on many low-income families. In 1999, according to the city's Housing and Vacancy Survey, 27 percent of all renters in New York City spent at least half their income on rent.

Other than public assistance shelter allowances, the largest source of rent subsidies for low-income families in New York City is the federal Department of Housing and Urban Development's Section 8 program. Section 8 provides rent subsidies to households with incomes below 50 percent of the median income for the New York area—currently $28,100 for a family of four. The subsidy represents the difference between 30 percent of household income and the lower of either their actual rent or a federally defined "fair market rent." For a two-bedroom apartment in New York City, the fair market rent is currently $949 per month. Thus, for example, a family with an income of $20,000 and an apartment renting for $900 would be required under Section 8 to pay $500 per month in rent and would receive a subsidy to cover the remaining $400. If, however, the same family's rent were $1,100 per month, they would be paying $500 *plus* $151—the difference between the fair market rent of $949 and the $1,100 actual monthly rent. The monthly subsidy in this latter case would be $449.

Most Section 8 subsidies are provided in the form of vouchers, giving recipients the freedom to arrange their own housing. In New York City, most Housing Choice vouchers—currently just over 78,000—are administered by the New York City Housing Authority. An additional 17,000 are administered by the New York City Department of Housing Preservation and Development.

Under an earlier version of Section 8, subsidies did not follow the tenant, but were instead attached to particular buildings. There are now approximately 67,000 housing units in New York City that receive these project-based subsidies. Most of them are concentrated either in the Bronx (24,000) or in Manhattan (21,000).

In addition to administering the Section 8 program, New York City is currently conducting a small pilot program that provides rent subsidies and case management services for homeless families that are ready to move from the shelters into permanent housing. The Department of Homeless Services' Temporary Family Rental Assistance Program (FRAP) provides rent subsidies of up to $400 per month for up to two years to families in Tier II shelters in which parents are working (or ready to work) and ready to move into permanent housing. The city has allocated $3.2 million to FRAP; approximately 210 families are expected to participate.[30]

Rent subsidies are not the only form of housing assistance available to New York City's low-income families. The New York City Housing Authority (NYCHA)—the nation's largest public housing authority—manages a total of 181,000 apartments throughout the city's five boroughs.

Both in New York City and elsewhere, public housing was originally conceived as a program to assist those who today would be called the working poor. Over time, however—in part as a result of preference given to other low-income applicants, such as homeless families—nonworking poor families came to represent a majority of public housing tenants.

In the 1990s, many local housing authorities, including the New York City Housing Authority, sought to revive public housing's historic role of providing low-cost shelter to the working poor. In 2000, Congress enhanced their ability to do so, by authorizing local authorities to give preference to working applicants. NYCHA has taken advantage of this provision by adopting a working families preference. The Housing Authority is now committed to setting aside half of all new vacancies for working tenants, with maximum allowable incomes ranging from $31,450 for a single person to $66,550 for a family of ten or more.[31]

With roughly 10,000 NYCHA apartments becoming available each year, approximately 5,000 applicants a year will get access to public housing under the working families preference. Because the Housing Authority's waiting list is so long, however, the new policy's principal effect in the near term will be to allow working families already on the waiting list to move up more quickly. Over time, however, the new policy should make public housing a more valuable and more accessible resource for low-income working families, and should help recreate an environment in which employment is the most common source of support.

Conclusion: Helping Low-Income Working Families

Low-income working families in New York City suffer a number of disadvantages, including the high cost of housing and other essentials, stagnant wages at the low end of the labor market, and an economy that demands ever-higher levels of education and skills. During the past decade, however, there has been good news in New York City for these families as well. A thriving economy has created new employment opportunities, even for those with limited skills and little work experience, and the support available to low-income working families from all levels of government has greatly expanded.

But despite this good news, there are many issues confronting low-income working families—including those engaged in making the transition from welfare to work—that New York still needs to address. Part Five of this report will examine some of those issues.

PART FIVE
Supporting New York's Low-Income Families: Issues to Be Addressed

In the course of our review of policies affecting low-income families in New York City, we have identified a number of issues that merit the attention of federal, state, and local decision-makers, nonprofit service providers, and the business community. Part Five of our report highlights several issues that we believe are among the most critical for low-income families in the city. These issues can generally be grouped under the following broad headings:

- the changing character of New York's public assistance caseload,
- the problems families face in getting access to transitional benefits, and
- the need to align other public policies with the goal of supporting work.

The Changing Character of the Public Assistance Caseload

As the city's public assistance caseload has declined, the composition of the caseload has been changing as well. These changes give rise to a number of issues that could affect the city's strategies for moving families toward self-sufficiency.

A Less Work-Ready Population?

Service providers and employers who are engaged in the process of moving recipients from welfare to work—and, to a lesser extent, HRA's published data on the current status of people on public assistance—suggest that the character of New York City's welfare caseload is changing in ways that may require adjustments to the city's welfare-to-work strategy. After several years of strong job growth, coupled with sustained efforts to move people from welfare to work, this is not surprising. As a representative of one employment and training provider told us, "With the economy as strong as it's been, the people that are easy to place have already gotten jobs." Another noted that in 1999, most of the participants that HRA referred to her program scored at the seventh grade level in reading; in 2000, the average participant scored below the fifth grade level. Still another representative noted that in recent months HRA had been referring a growing number of single women on Safety Net assistance to her program. These women were often more than 50 years old with little work history. One provider said:

> *I hate to use phrases like 'scraping the bottom of the barrel,' but that's what we're doing.*

Several employers interviewed for this study also noted that they have seen a change in the character of applicants referred to them from welfare-to-work programs.

The people referred to us by [a nonprofit employment and training provider] are generally more enthusiastic and more loyal than the people we hire off the street. They also used to be more talented, but that's not the case any more. We're still hiring people they send to us; but we've begun to target lower-level jobs.

It is possible, of course, to overstate the degree of change in the caseload. Thousands of new prospective applicants are still coming into the system every month, many of whom will be able, with the proper support and assistance, to enter or reenter the work force within a relatively short time. Moreover, since the process put in place by HRA (described in Part Three) is designed to move the most job-ready participants into the work force as quickly as possible, those who are being referred to employment service providers may as a group have more serious barriers to employment than the average participant.

Nevertheless, the limited information available from HRA on the characteristics of the current caseload does suggest that its composition is changing, and some adjustment may be needed in the strategies used to move families toward self-sufficiency. For example:

- In April 2001, some 12,469 public assistance cases involved an adult who was enrolled in substance abuse treatment, either residential or outpatient. This represented a decline of 1.8 percent in the number of such cases since December 1999, a period during which the total number of cases declined by 17 percent.
- The number of cases counted as "indefinitely unengageable" because they involved a person being treated for AIDS increased during the same period by 64 percent, to 12,517.
- The number of cases defined as "temporarily unengageable"—for example, those who were deferred for health reasons, or who had a child less than three months old—grew by 62 percent to 15,397.[32]

Between December 1999 and April 2001, these three groups grew as a share of the city's total caseload from 11.3 percent to 18.2 percent. The fact that these groups have not declined at the same pace as the rest of the caseload—indeed, their absolute numbers have increased—suggests that the city may need to make greater use of programs that are specifically designed to address the particular barriers to self-sufficiency these families and individuals face.

Recipients with Limited English Proficiency

Several employment and training providers interviewed for this study also suggested that as the caseload shrinks, women who do not speak English well (or at all) represent a growing share of those still receiving assistance. As one told us, "Limited English proficiency is a very, very serious issue."

A recent report from the New York Immigration Coalition clearly documents that employment opportunities are limited for New Yorkers who are not proficient in English. The report estimates, for example, that the average earnings of foreign-born workers who speak no English are less than half the earnings of those who speak English well.[33] Moreover, recipients who do not speak English well may not be able to take full advantage of training and other services that might help them move toward self-sufficiency.

Several participants in one of the focus groups conducted for this study described the problem succinctly:

> *If you do not speak English you do not get a job. The workers at the welfare office treat you badly when you go in for appointments. It is impossible to call a worker on the telephone. It is very stressful.*
>
> *I [have] applications in at three factories, with no call back yet. I feel that my inability to speak English [is] a major barrier in my not finding employment.*
>
> *I have had five interviews, but no job yet. I feel my lack of English is a barrier."*
>
> *I have been in the WEP program here [at a senior citizens' center] for two years. I received no training. I speak Spanish and it is not helpful to me, because I need to speak English in order to get a job. No English, no job has been my experience.*

These recipients may also be more vulnerable to loss of benefits because of work or other requirements, if due to language barriers they do not fully understand what is being required of them.

Recipients with Substance Abuse and Mental Health Problems

HRA has recognized that for many recipients, substance abuse problems represent a serious barrier to employment. As described in Part Three, the agency has sought to identify as quickly as possible recipients who may be wrestling with such problems, to assess their needs, and to arrange needed services. Both HRA and its contract agencies have acknowledged, however, that HRA's front-line workers often lack the skills and knowledge needed to pick up on these problems. A manager of one of HRA's contract agencies stated:

> *Our experience with CASAWORKS suggests that workers need much more training in order to effectively screen clients. Additional training is needed to identify parents consciously hiding a substance abuse problem or denying a problem with drugs or alcohol and to connect them with needed services.*[34]

Several service providers also note that the ability to get participants to stay in treatment is critical to their long-term success in the job market. Retaining participants in treatment often requires intensive case management and extensive support services. As noted in Part Three, HRA has begun to contract with several organizations to provide these services, but more may be needed.

Many of the recipients who have histories of substance abuse also have mental health problems. As one provider notes:

> *In order to meet the goals of welfare reform, more programs and services to address co-occurring mental health disorders—such as depression, anxiety, and post-traumatic stress disorder—must be provided.*[35]

The Need for Greater Flexibility in Meeting Work Requirements

New York City's approach to welfare reform reflects a strong commitment to a "work first" philosophy. From the moment a prospective applicant arrives at a job center, HRA's primary emphasis is on helping her find work. If initial efforts toward that end do not succeed, HRA

then seeks to move participants as quickly as possible into what it calls a "simulated work week." As noted in Part Three, this usually consists of 20 hours of unpaid work experience and 15 hours of other work-related activity, such as basic education, work-readiness training, job search training, and, in some programs, job-specific vocational training. Except for brief periods of up to two weeks, HRA generally does not accept full-time preemployment training as an alternative to participation in WEP, although under state law it could. Indeed, some advocates argue that under state law it is required to do so.

HRA's work first philosophy has served the city well in many respects. It has helped to reinforce the principle that for the majority of recipients, paid employment is the most promising way to get off welfare and out of poverty, and it has helped many get started on that road. Moreover, given the size of the city's caseload and the pressure to comply with federal participation requirements, quick application of a one-size-fits-all model of full engagement to the great majority of cases may have been the only practical alternative available to HRA in 1998.

Nevertheless, many of those interviewed for this study believe that New York needs to adopt a more flexible approach to meeting the work requirements imposed by federal and state law. The desire for greater flexibility in part reflects the changes in the composition of the caseload outlined above. As one provider said:

> *The population is changing tremendously, but HRA is not adjusting its model to reflect this.*

Some employment service providers in Washington Heights and the South Bronx suggest, for example, that participants with little or no proficiency in English and low levels of basic skills would be better served by a program that combined more intensive English language and literacy training with 10 or 12 hours of work experience per week. A focus group participant from the South Bronx expressed a similar view:

> *I feel that two days a week is not enough time to learn English. If the classes were given for a six-month continuous period we would learn more at a faster pace.*

Greater flexibility could benefit more employable recipients as well. As the number of adult recipients has declined, the number of WEP positions that HRA needs to support its policy of "full engagement" has also declined. HRA can now afford to give greater attention to the quality of work experience provided by WEP.

Among focus group participants who commented on the quality of their WEP assignments, a majority said the experience was generally positive for them. In some cases, WEP assignments helped participants prepare for jobs in the same field. However, many of those who have moved from WEP to paid employment said that their WEP experience had not contributed directly to getting their current jobs.

> *I worked for six months in a Head Start WEP assignment. Based on that experience, I'm now working to become an independent child care provider.*

> *I had a cleaning and maintenance assignment in a welfare center for a year and four months. It was not helpful in my job search.*

> *I worked for eight months [in WEP] and the experience was good. But there was no training. It did not contribute to my getting the job I have now.*

It did not contribute to my current job, but the experience was good. I was in WEP for two years.

With fewer WEP slots needed to maintain full engagement, HRA could be more selective in its use of public agencies and nonprofit organizations as work sites, giving priority to those that have the best track records, either in hiring WEP workers themselves, or in preparing them for employment elsewhere. Moreover, in line with its stated goal of having WEP simulate the experience of regular employment, HRA might consider giving recipients greater freedom to arrange their own assignments, based on their own interests and the needs of the work site.

Several training providers and employers interviewed for this study suggested that HRA should also be more willing to accept several months of full-time preemployment training as an alternative to WEP in cases where such training is clearly tied to specific opportunities for employment at wages well above the poverty level. For example, a representative of a financial services company that has hired more than 100 New York City public assistance recipients in high-wage jobs recently noted:

We used to be able to do 16 weeks of full-time training up front. Now we're required to alternate weeks of full-time training and full-time WEP. It's less effective—especially since we're starting to get less qualified workers, training is critical.

Cases Approaching the Five-Year Limit

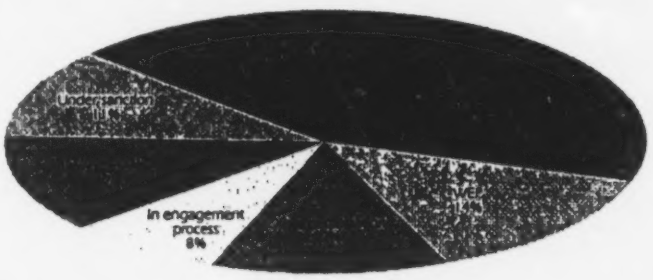
As of April 2001, there were 46,191 cases receiving public assistance in New York City that, if they remain on the rolls throughout the year, would reach the five-year federal time limit in December. As Figure 8 shows, the diversity of these long-term cases matches the diversity of the overall caseload. There are, however, some notable differences. In more than 30 percent of these cases, the case head is already working. In another 14 percent, the case head is a WEP participant. Sanctions for noncompliance are in effect in approximately 11 percent of all cases, and another 13 percent are in various stages of the sanction process.

Cases that appear likely to qualify under the "hardship" provisions of the state plan, and thus be exempted from the five-year limit, represent only about 20 percent of the city's long-term cases. These include, for example, cases in which the case head is more than 60 years old, has AIDS, has an SSI application pending, or is caring for a disabled child.

Several service providers interviewed for this study expressed concern about recipients who have not yet begun to address the implications of time limits. A Washington Heights family services worker characterized some of her clients as being "in denial" about the five-year limit. She described this group as being very difficult to engage in any constructive effort to move toward self-sufficiency; a lengthy process of building trust and confidence is often required before they will participate. A consultant working with the faith-based organizations participating in HRA's Charitable Choice project offered a similar observation about recipients who have been sanctioned for noncompliance with work requirements:

You can't expect this population to respond quickly to inducements to become engaged. They have problems that need to be addressed, and that takes time.

Figure 8: Long-Term Caseload, April 2001



Source: Human Resources Administration

Early in 2001, HRA began a process of calling in for consultation all recipients who will be reaching the five-year limit in December. The purpose of these call-ins is to remind recipients that the time limit is approaching and to discuss how they might use the remaining months of 2001 to end their dependence on welfare. The agency has also recruited and trained a new class of case managers, called Job Opportunity Specialists (JOS), who are being stationed in job centers and income support centers. Their sole responsibility will be to work with long-term cases to help them increase their earnings or find other resources that will help them escape the adverse consequences of the five-year limit. At one Brooklyn center, for example, a team of 15 JOS workers have begun focusing on a group of approximately 2,500 long-term recipients.

Given the fact that nearly half of all long-term adult recipients are either already working or engaged in WEP or some other work activity, a strategy that emphasizes closing cases by increasing earned income makes sense. More controversial has been HRA's recent announcement that Family Assistance cases that reach the five-year limit will not simply be transferred to the state-local Safety Net program; instead, they will be terminated and required to reapply for Safety Net assistance. Commissioner Turner has justified this reapplication requirement by suggesting that it will give HRA staff:

> *...an opportunity to reassess clients and give them valuable information on our programs and services. The reassessment allows us to help them find work using our special case managers, private job developers, and even temporary transitional jobs. The disabled will gain access to specialized services or help in obtaining permanent disability status.*[36]

All of these services, however, can be provided without requiring a new application, and as outlined above, HRA has already begun to provide them. The reapplication process may further trim the caseload, but there is little reason to believe that it will add anything to the process of moving participants toward self-sufficiency.

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A Growing Number of Child-Only Cases

After declining for several years, along with the rest of the city's public assistance caseload, the number of "child-only" cases has recently been rising. These are cases in which one or more children in a household are eligible for Family Assistance benefits, even though no adult in the household is eligible. They include cases in which an eligible child is living with someone other than his or her parent—because, for example, the parent has been institutionalized or imprisoned, or because the child has been abandoned. They may also include cases in which the parent is receiving SSI benefits, or in which benefits are being paid for the U.S.-born children of adult immigrants who are themselves ineligible for any type of cash assistance.

Between December 1999 and April 2001, the number of child-only cases grew by 13 percent, to 34,393—an increase from 11.4 to 15.5 percent of all cases. Despite the growth of this segment of the welfare population, the city has not paid much attention to these cases to date. HRA's strategy has emphasized strict enforcement of work requirements, combined with various forms of support for participants who are making the transition to work. But child-only cases, by definition, include no adults who are subject to work requirements. They are not counted for purposes of determining the city's compliance with the federal mandate for participation in work activities, nor are they subject to the five-year limit.

While understandable in the near term, a policy of benign neglect toward child-only cases may prove short-sighted in the long run. The consequences of growing up in dire poverty can be just as severe for these children as for the children of those who are required to work. Indeed, given some of the circumstances that lead to the opening of child-only cases, many of these children could be more vulnerable than the children of families whose reasons for receiving public assistance are primarily financial.

New York State, and many counties outside New York City, have recognized the need to focus on child-only cases. (In the 57 upstate and suburban counties, such cases now average about 30 percent of the total TANF caseload.) In its guidance to local social services departments, the Office of Temporary and Disability Assistance identified services to child-only cases as one of several allowable uses of funds provided under the Transitional Services Block Grant program, authorized by the state legislature in 2000. Sixteen counties—including Niagara and Onondaga counties upstate, and Rockland and Dutchess counties in the downstate metropolitan area—submitted to OTDA plans that included new service initiatives specifically aimed at child-only cases.

During 2001, most of these county initiatives have focused on outreach to and assessment of child-only cases, and arranging needed services. Some counties, such as Onondaga, have focused more specifically on teenagers in child-only cases, aiming to ensure that they receive the education, guidance, and services they need to become self-sufficient adults.[37]

Child-only cases are a growing concern not only in New York, but nationwide. Other states and communities are also beginning to address these cases. In North Carolina, Dare County has launched an initiative under which all of the county's child-only cases will be individually assessed in 2001. Individual plans will be developed, and over the next two years the county will offer an array of services to these children and their families or caretakers.[38]

Supporting the Transition from Welfare to Work

The changes in state policies enacted since 1997, along with the restructuring of HRA's programs that has occurred since 1998, created a welfare system that provides much more support to recipients who are making the transition to work. Nevertheless, research conducted during the course of this project suggests that the process of creating a welfare system that supports and encourages the transition to work remains incomplete, and that as a result, the transition to work is more difficult than it needs to be for many recipients.

Working and On Welfare

As more recipients have entered the work force, the number of those who are known to be working but still receiving public assistance has grown, both as an absolute number and as a percentage of the caseload. In December 1994, only 11,166 cases—2 percent of the city's caseload—were identified by HRA as having income from employment. By April 2001, 31,222 participants—representing 14 percent of all public assistance cases—were employed.

Several factors lie behind this sharp increase in the number of families and individuals who are combining work and welfare.

- The 1994 figures undoubtedly reflect widespread underreporting of income from employment. Since 1994, more systematic enforcement of eligibility requirements, along with the greater control over participants' time that results from the strategy of "full engagement," make it more difficult for recipients to hold jobs that they do not report to HRA.
- Many of the recipients who have gotten jobs, whether through formal welfare-to-work programs or through the combined effect of their own efforts and a robust local economy, are not earning enough to move completely off welfare.
- The more generous earned income disregards established by the state's 1997 Welfare Reform Act, described in Part One, increase the likelihood that a recipient who gets a low-wage job—especially if it is less than full-time—will remain eligible for cash assistance.

Because New York City historically had so few cases in which recipients reported earned income, many HRA workers initially had little experience in budgeting cases in which recipients combine work with welfare. Several service providers interviewed for this study during the summer and fall of 2000 reported that budgeting errors were common in cases with earned income. They reported that if such miscalculations resulted in an overpayment to the recipient, HRA may seek to recoup the overpayment, even if it is a result of HRA worker error. Such problems, service providers suggest, can make it difficult for working recipients to budget consistently for themselves and their families.

Some service providers, focus group recipients, and employers cited a number of bureaucratic practices that HRA needs to change in order to accommodate more effectively the needs of working recipients. Several cited, for example, the fact that employees on welfare are too often required to miss work for face-to-face recertifications, other special call-ins, and meetings to resolve case budgeting problems. One focus group recipient who had begun working at a day care center reported:

My cash benefit was reduced to $75, and I continued to receive Medicaid and food

stamps. I was told that I must bring in my first three pay stubs to prove employment, and then I must bring in stubs every three months to prove my earnings level. Documentation has to be left at a window at the Dyckman office.

Some suggested that all HRA job centers should be open on nights and weekends, and that HRA should give recipients greater flexibility to schedule meetings at times that do not conflict with their work schedules. One employer suggested that HRA allow working recipients to transfer their cases to centers near their workplaces, or even allow recipients to schedule routine meetings at any center that is convenient to them:

Just because I opened my bank account at a branch in the Bronx doesn't mean I can't go to a branch near my office in Manhattan when I have a problem I have to take care of. Why can't HRA operate the same way?

Another cited HRA's lack of flexibility concerning scheduling.

Having to schedule appointments—with teachers, with doctors, whoever—is part of being a working parent. You learn to schedule things early in the morning or at the end of the day. But you can't do that with HRA.

As noted above, a significant number of those who are working but still on welfare are long-term recipients. Of the approximately 46,000 cases on the rolls in April 2001 that were to reach the five-year limit in December, more than 30 percent—about 13,900 cases—were headed by a working adult. This means that approximately 40 percent of all working-but-still-on-welfare Family Assistance cases will reach the five-year limit in December 2001.

A major part of HRA's strategy for lessening the impact of the five-year limit involves helping these working recipients increase their earnings to a level that will allow their cases to be closed. While this strategy undoubtedly makes sense both for HRA and for many participants, there remains an underlying question about how the five-year limit applies to working recipients. As many observers have pointed out, it seems inequitable and inconsistent with PRWORA's emphasis on work to apply the five-year limit equally to those who have not worked at all during their five years and those who for some significant part of that time have worked full-time while receiving only modest, supplemental cash assistance. Some have suggested "stopping the clock" relative to the five-year limit for any recipient who is employed full-time.

Should Part-Time Work Be Acceptable?

The impending five-year federal time limit also raises questions about the acceptability of part-time employment. Some working recipients remain on welfare not because their wages are very low, but because they are working part-time. In many cases, of course, part-time work is involuntary. But some recipients—especially those with very young children—may prefer to work part-time.

From one perspective, voluntary part-time employment could be seen as a luxury that should not be extended to parents on public assistance. There are, after all, many working poor parents who would like to have that option but cannot afford it. Federal, state, and local policymakers might nevertheless want to consider the trade-offs that part-time employment involves.

Finding low-cost, manageable child care arrangements may be much easier for parents who work part-time—especially for those with very young children. In some cases, the savings on child care made possible by part-time work may exceed the added cost of supplemental cash assistance. Some employers, moreover, use part-time workers as a pool from which full-time permanent employees are selected. In these cases, getting hired part-time may represent an important step toward economic independence. Finally, being able to spend more time with their mothers may have a positive effect on the well-being of very young children and on their early development.

The Impact of High Housing Costs

For some recipients, the high cost of housing in New York City represents a serious impediment to leaving welfare. This is especially so for families that are receiving the supplemental housing allowances commonly known as "*Jiggetts* benefits." In 1997, a State Supreme Court judge ruled in *Jiggetts v. Dowling* that the schedule of shelter allowances established by New York State for families in New York City (for example, $286 per month for a family of three) is so low that it violates the state's constitutional responsibility to provide for the care of those in need. Under *Jiggetts*, HRA is required to provide supplemental assistance to any family on public assistance that has at least one child under age 18 and that is in imminent danger of eviction.

As of October 2000, approximately 20,000 families were receiving supplemental housing assistance under *Jiggetts*, at an average of about $250 per month. These benefits have undoubtedly helped many families on welfare maintain more stable living arrangements. But for many of those who are making the transition to work, these benefits create a dilemma, as *Jiggetts* benefits are not counted in determining a working recipient's continuing eligibility.

Consider, for example, the case of a woman with two children who is receiving the maximum cash grant of $577 per month. After she is hired in a low-wage job, HRA rebudgets her case and determines that she is still eligible for $100 per month in cash assistance. Six months later she has an opportunity to move to a job that pays an additional $1.50 per hour. If she takes the new job, her welfare case will be closed, but she will still be marginally better off, at least in terms of cash income.

If the same woman were receiving a grant of $577 per month plus $300 per month in *Jiggetts* benefits, her first job would leave her with a basic welfare grant of $100, plus the $300 from *Jiggetts*. If she then moved to a better job, however, once her wages were high enough to eliminate her $100 per month welfare allowance, her case would be closed, and she would also lose her *Jiggetts* grant. Despite her increased wages, her total monthly income would decline significantly. This "notch" in the schedule of benefits can for some families create a real incentive *not* to increase earnings.

This disincentive is not merely a theoretical one. A representative of an employment and training organization interviewed for this study reported that her case managers regularly counsel participants who are receiving *Jiggetts* benefits to avoid jobs that pay wages high enough to result in the closure of their welfare cases and the subsequent loss of their extra housing allowances. One focus group participant who was looking for work expressed the anxiety that this situation produces:

I am crazy to find a job. I have a lot of tension because I have major housing issues. With rental support [Jiggetts benefits], if your case is closed they threaten to throw you out of your home.

Problems with high housing costs are not, of course, limited to participants who have been receiving *Jiggetts* grants. Service providers in Washington Heights who were interviewed for this study were especially concerned about the housing problems experienced by those moving from welfare to work.

These people [in Washington Heights] always have housing problems. That doesn't change when they get a job. The rents here are really exorbitant.

I was working with a woman who had to move out of the apartment she was sharing. She couldn't find anything for less than $875 a month. There was no way she could afford that on what she was making.

Housing is one of the issues that can lead to real depression. People just don't see any light at the end of the tunnel.

Because their ability to pay for housing is so limited, many of those who leave welfare for low-wage work face difficult circumstances—doubling up with other tenants, for example, or making a series of temporary arrangements until they can earn enough to get their own apartments. The instability of such arrangements can have a negative effect on children—and on parents' ability to focus on work.

The problem of high housing costs is intensified by the fact that rent subsidy programs are generally not geared toward the goal of supporting work, an issue to which we will return in a subsequent section of this report.

Access to Transitional Benefits

As a matter of both law and policy, public assistance recipients who are making the transition from welfare to work are supposed to have available to them a wide variety of transitional benefits and services, including child care and Medicaid. One of the most common complaints heard during the course of this study, however, is that it can in practice be very difficult for participants to get access to these benefits.

The problem is in part one of participant education. For example, a recipient whose case is being closed is eligible for transitional child care benefits only if earned income is clearly identified as the reason for closing the case. If the closing is entered as a "voluntary" closing, (when the recipient leaves the welfare rolls by their own decision) or if the recipient simply fails to show up for recertification, she is not eligible for transitional support, even if she is working.

There is clearly a burden on recipients to understand the need to communicate clearly to HRA the reason why they no longer need cash assistance. At the same time, however, several service providers interviewed for this study expressed the view that failure to properly identify and correctly code the reason for case closing is often a result of inadequate training of HRA workers. One suggested that even if the case closing is properly coded, authorization of transitional child care can take months. Referring to several of her clients, she said:

They were getting child care through the BEGIN program, but once they began working, their child care through BEGIN stopped, and now the income support center has to do whatever paperwork they need so they can get work-related benefits. This has not happened, so now they are not receiving any child care benefits.

Several providers also reported that even if eligibility for transitional child care is established, it can take three to four months for HRA to start paying for it. As a result, one suggested:

A lot of institutional providers and family day care providers in this area [the South Bronx] aren't willing to take these cases. They just can't wait three or four months to get paid.

A focus group participant made a similar point:

A friend provides child care for my kids—from 7AM to 5PM. I haven't gotten child care [reimbursement] for two months, and I'm unable to pay the provider. The major issue is money.

Comments by another focus group participant highlighted the fact that complications in getting transitional benefits can be particularly burdensome for parents who are trying to succeed in a new job:

I received day care before I started working, but I haven't gotten benefits since July. I'm supposed to make an appointment to see a worker about fixing the problem, but if I miss a day from work to make the appointment, I won't get paid.

While some problems in the implementation of a new benefit program might be expected, the transitional child care benefit has been on the books for four years, and problems still appear to be pervasive.

Most people who leave welfare for low-wage jobs remain eligible for food stamps, although at reduced benefit levels. As noted in Part Four, however, recipients whose cash assistance cases are being closed must reapply for food stamps as "nonpublic assistance" cases. Whether by choice or because they are unaware that they are probably still eligible, many recipients who leave welfare are not obtaining food stamps. The loss of food stamps by former welfare recipients may be a major factor in the declining rates of participation in the program that have been reported in recent years. According to the U.S Department of Agriculture, the proportion of eligible New York households that are actually receiving food stamps had fallen from 73 percent in 1994 to 60 percent in 1999.[39]

This is not solely a New York problem. A recent analysis by the Urban Institute found that two-thirds of all families nationwide who left welfare between 1997 and 1999 left the food stamp program as well.[40] Given the hassle involved in applying for and staying eligible for food stamps, it is perhaps not surprising that workers whose wages are high enough to leave them eligible for only a very modest benefit might not bother to apply. But the Urban Institute study found that even among workers whose earnings were below 50 percent of the poverty level, only half of former welfare recipients were receiving food stamps—even though benefits for such families, depending on child care and shelter costs, typically range from $235 to $335 per month.

As with food stamps, it appears that many recipients who leave the welfare rolls are neither

getting transitional Medicaid benefits nor reenrolling as "Medicaid-only" cases. This, too, is a nationwide problem. Between 1995 and 1999, the percentage of all children with incomes below the poverty level who were enrolled in Medicaid declined from 62 to 55 percent; the percentage of all poor adults who were enrolled in Medicaid fell from 43 to 34 percent.[41]

Since 2000, New York City has undertaken a major effort to increase enrollment of former recipients in either Medicaid or Child Health Plus. Its strategies have included providing more detailed information to recipients who are leaving the rolls due to employment, facilitating enrollment through community-based organizations, and advertising.

Child support payments collected by the city's Office of Child Support Enforcement currently average approximately $250 per month. If the custodial parent is a Family Assistance recipient, she generally receives only $50 per month, as an incentive for cooperation in enforcing the noncustodial parent's support obligations. The remainder of the support payment is retained by the city to offset the cost of public assistance. If, however, the custodial parent's welfare case is closed, she is entitled to begin receiving directly the total child support payment. Child support thus represents a potentially significant addition to the former recipient's monthly income—and a potentially powerful incentive for leaving welfare.

Unfortunately, the process of redirecting support payments from the city's treasury to the custodial parent does not always work smoothly. When a case is being closed, HRA notifies the Office of Child Support Enforcement, which is then responsible for redirecting payments. However, several service providers interviewed for this study suggest that in practice it often takes several months for child support payments to begin reaching a former welfare recipient. As one noted:

> *Getting the full child support payment is supposed to be pretty automatic. In practice, it's anything but.*

HRA officials acknowledge that there have been problems between their agency and OCSE in effecting the timely redirection of child support payments.

Employment service providers interviewed for this study generally agreed that active case management and client advocacy are critical in securing transitional benefits. One suggested that her organization has made it a routine practice to have case managers accompany participants with new jobs to meet with HRA in order to ensure that the case closing is properly coded and that applications for transitional benefits are initiated. Providers also acknowledge, however, that investing staff resources to procure and maintain transitional benefits has an implicit cost, taking time that case managers could otherwise use to focus on other, more substantive problems.

> *We're serving people who have multiple barriers to employment. But one of the things we're finding is that for a lot of these people, the biggest single barrier is simply the sheer complexity of the system—not just HRA's system, but all of the other systems people have to navigate.*

The Adequacy of Child Care

As noted in Part Three, HRA is currently paying for child care for approximately 36,000 recipients who are working or engaged in some other approved activity. The *availability* of

child care does not appear to be a major barrier to employment. None of the current and former recipients who participated in focus groups conducted for this study cited inability to arrange child care as a problem that had kept them or was keeping them from obtaining work. Nor did any of the service providers interviewed for this study suggest that the availability of child care was a problem.

This conclusion is consistent with the findings of surveys of experience under welfare reform that have been conducted at the national level. Researchers Douglas Besharov and Nazanin Samari, for example, report that the funding for child care provided through the Child Care and Development Block Grant, TANF, and other sources has generally proven sufficient to pay for child care for welfare-to-work participants who need it.[42]

Many service providers, however, expressed concern about the *adequacy* of participants' child care arrangements. Much of this concern is focused on the widespread use of informal child care. A Bronx employment service provider estimated that 85 percent of all participants in her program arrange to have their children cared for by friends or relatives. A large majority of focus group participants similarly stated that they rely on informal child care.

Informal care, of course, does not necessarily mean poor-quality care. Many of the adults who provide this service are caring and competent. Nevertheless, several service providers expressed concern that informal caregivers have no training in areas such as child development and nutrition, for example, or use television and junk food to keep young children pacified. Others expressed concern about the reliability and continuity of informal care. One service provider suggested that it is not uncommon for parents to have to patch together a full day's care using three different informal caregivers, a situation that can make children's lives unstable and unpredictable.

Extensive reliance on informal care may in part reflect an inadequate supply of licensed care. But it also appears to reflect a widespread preference for care by "kith and kin." Focus group participants were in most cases comfortable with these arrangements, but some cited problems.

> *I use a friend that's a foster care parent. I felt comfortable having her pick up my kids in the morning and take them to and from school. It's kind of inconvenient because I have to go up to the Bronx after work to pick them up, but she's very reliable.*
>
> *I leave my kids with a neighbor from 9 to 6. She's not licensed, but I feel comfortable and it's convenient.*
>
> *After school my mom cares for my two children, and I pay her.*
>
> *I pay a friend to pick up my son from home and take him to school and pick him up after school. She is not very reliable.*

Given the constraints on funding for child care, the barriers to expanding the supply of licensed care, and the expressed preferences of parents, it appears inevitable that New York will continue to rely heavily on informal providers to care for the children of those moving from welfare to work. The city and the state may need to do more to improve the quality of care offered by these providers.

Aligning Other Programs to the Goal of Supporting Work

The transformation of New York's welfare system into one that encourages and supports work is incomplete and imperfect. But there are many other federal, state, and local policies and programs that affect the well-being of low-income families. Many of these policies and programs are less effectively aligned to the goal of supporting work than they could be.

Equity for Immigrants

According to recent estimates, nearly 40 percent of all working-age adults in New York City are foreign born. Immigrants may represent an even larger part of the city's low-wage work force. Under these circumstances, policies that limit legal immigrants' access to benefits and services effectively discriminate against a large percentage of the city's low-income working families and in effect, against the city itself.

During the late 1990s, nearly half of all children born in New York City were born to immigrant parents.[43] As a result, a growing percentage of the city's low-income families now consist of children who are eligible for a wide variety of public benefits while living with parents who are not. Research at the national level has shown that in these mixed households, utilization of benefits for which U.S.-born children are eligible, such as Medicaid and food stamps, is typically much lower than it is in nonimmigrant low-income families. Based on their analysis of U.S. Department of Agriculture data, Greenstein and Guyer calculate that nationwide, the number of citizen children of immigrant parents who receive food stamps dropped by 70 percent between 1994 and 1998.[44] This may be due in part to confusion about just who in the family is eligible for what, but it may also be due to fear that legal immigrants who apply for assistance may be subject to deportation under the poorly-defined "public charge" provisions of U.S. immigration law.

Whatever the reason, the disconnect between families headed by immigrants and many public benefit programs means that New York can take only limited satisfaction from its success in broadening the range of benefits that are available to low-income working families.

Tax Policy

By claiming federal and state earned income tax credits, low-wage workers can effectively reduce their federal and state income tax liabilities to zero. Because of the refundable nature of these credits, very-low-wage workers can also receive direct cash payments if the value of credits for which they are eligible exceeds their tax liability.

Federal regulations permit the use of surplus TANF funds to finance the refundable portion of a state's earned income tax credit, and New York State has chosen to exercise this option. There are a number of advantages to this use of TANF funds—including administrative simplicity and the fact that refundable credits are not considered to be assistance for TANF purposes and thus are not subject to the five-year limit. There are, however, risks as well. Perhaps the greatest of these is the risk that a future Congress will cut back on the allocation of TANF funds to states that have generated large TANF surpluses. New York would then be forced to decide whether or not to keep funding a program from its own resources that provides significant benefits to low-income working families.

While the earned income credits effectively exempt low-income working New Yorkers from paying federal and state income taxes, they are still liable for New York City income taxes. According to an analysis conducted by the city's Independent Budget Office in 1999, more than 109,000 New York City households whose incomes are low enough to exempt them from paying federal or state income taxes will nevertheless have to pay city income taxes in 2001. Moreover, this number is expected to increase during the next several years due to scheduled increases in the value of the state earned income credit program.[45]

During the past several years the Giuliani administration, the City Council, and the Public Advocate have all floated proposals for establishment of a city earned income tax credit. In June 2001, the Council approved the creation of a refundable city EITC for the second year in a row, at an estimated cost of $48 million. However, establishment of a city EITC requires enactment of state enabling legislation, and the bill that the city has proposed requires that the state reimburse the city out of surplus TANF funds for the cost of the refundable credit. Since there is no chance that the State Legislature will accept this provision, there is no chance that the EITC, as proposed by the Council, will become law.

Unemployment Insurance

As noted in Part Four, Unemployment Insurance provides an important source of temporary support for low-wage workers who lose their jobs. Moreover, New York's alternate base period makes it easier for workers who have only recently entered (or reentered) the work force to qualify for UI payments. Nevertheless, in one important respect the UI system is still biased against low-income working parents.

A UI claimant is required to be available for full-time work—even if she had earned her eligibility for UI benefits by working part-time. Several other states have enacted legislation allowing UI claimants to limit their job search to part-time positions. Such a provision would, for example, benefit an unemployed parent in a two-parent household who had previously worked part-time in order to spend more time with her children. The provision would allow such a parent to limit her job search to part-time positions while still collecting a modest UI benefit.

Housing Assistance

The scale of the Section 8 housing program, the depth of the subsidy provided, and the focus on families with incomes below 50 percent of the median would seem to make Section 8 an important resource for low-income working families. The program's utility is limited, however, for at least two reasons.

- The availability of Section 8 housing vouchers is quite limited. Once recipients obtain Section 8 vouchers or apartments, they are entitled to keep receiving subsidies indefinitely, as long as they remain financially eligible. As a result, tenant turnover is very slow. A recent report estimates that on average, only 4,200 existing Section 8 subsidies—vouchers or project-based subsidies—are recaptured each year as a result of tenant turnover.[46] In 1999, Congress authorized an increase in the total number of Section 8 vouchers, which resulted in an additional allocation of 1,000 vouchers to New York City. While only 4,000 to 5,000 new tenants can enter the program in any given year, the citywide waiting list currently stands at approximately 200,000, and the total number of theoretically eligible households in the city exceeds 1 million.

- The criteria that govern who gets access to the program do not give priority to working families. Since 1994, applications for the basic Section 8 housing voucher program have been limited to homeless families, victims of domestic violence, families with a child in or at risk of foster care, "intimidated witnesses" in criminal cases and—for vouchers administered by the New York City Department of Housing Preservation and Development—residents of *in rem* housing (housing needing rehabilitation and maintenance). No other families are admitted to the waiting list.

In 1999, Congress authorized a special allocation of Section 8 "welfare-to-work" vouchers, of which 1,400 were allocated to New York City. These vouchers were to be used for families who need housing in order to get or retain a job and are receiving or are eligible for public assistance or have received assistance within the past two years. However, the city has further restricted eligibility for these vouchers to families who were already on the city's waiting list—in effect, to the specially-targeted groups outlined above.

In the future, the city may want to consider revising its criteria for the allocation of Section 8 subsidies to give higher priority to low-income working families, just as it has done with the allocation of apartments in public housing.

Employment and Training Services

New York City's delays in implementing the Workforce Investment Act (WIA) of 1998 —and, more specifically, in focusing on the job access and training needs of the working poor—are to some extent a byproduct of its concentration on moving public assistance recipients into the work force. For example, in addition to their responsibilities with respect to welfare recipients, HRA's employment services and placement contractors are required to serve other low-income people as well. The agency's stated goal is that 30 percent of those served by an ESP contractor should be people not on welfare. Many ESP contractors and subcontractors, however, concentrated initially on getting working relationships with HRA in place, establishing a flow of referrals from HRA, moving participants through their programs, and getting them placed in jobs. As one contractor interviewed for this study—about one-third of whose current clients are not on public assistance—recently noted:

> *Serving people who are not on public assistance is really different work. You don't have to invest a lot of time in managing relationships with HRA, and you don't have to deal with all of the day-to-day issues that come up when you're serving people on welfare. Instead, you really have to work at marketing your services to people in the community. They don't have to be here, so you have to convince them that you have something worthwhile to offer them. We're also finding that the people who come to us from the community tend to have higher skill levels and more experience than the people referred to us by HRA. To be able to serve them, you have to develop relationships with employers who can offer better jobs than those we typically place recipients in.*

This difference between the needs and expectations of public assistance recipients and other low-income people may be further magnified in the case of people who are already employed and are primarily interested in opportunities to upgrade their earnings.

With a growing number of New Yorkers employed in low-wage jobs, and growing numbers of public recipients having taken an initial step into the work force, New York clearly needs to focus more consistently on the employment and training needs of low-wage workers.

PART SIX
Policy Implications

The ways in which government helps meet the needs of low-income working families in New York City has changed significantly since the mid-1990s. Many of these changes have clearly had salutary effects. These include, for example, increased assistance to the working poor through federal and state earned income tax credits, extension of health care coverage to more than 300,000 children not eligible for Medicaid, more effective enforcement of child support obligations, and the creation—still a work in progress—of a new "infrastructure of opportunity" that actively assists public assistance recipients and other low-income people in preparing for and entering the world of work.

At the same time, the most favorable economic conditions of the past three decades have generated increased demand for workers, including those with limited skills and experience.

Nevertheless, the difficulties that many low-income families continue to confront each day are serious. Many of those who remain on welfare have problems that limit their ability to work. Many of those who have made the transition to work are employed at very low wages—while the demand for less-skilled workers has grown along with the city's economy, their wages generally have not. And many of New York's low-income immigrant families continue to suffer from the harshly discriminatory, anti-immigrant provisions of PRWORA. If federal, state, and city governments are to deliver on their commitment to create a framework of public policies and programs that broadly support the goal of helping low-income families meet their needs through work, much remains to be done.

This report concludes with a brief review of changes in city, state, and federal policies that could help bring New York City closer to that goal.

Implications for New York City

In order to meet the goals of welfare reform more effectively—and more broadly, to help low-income families meet their needs through work—New York City should consider the following measures.

1. Adopt a more flexible approach to full engagement.

Especially in view of the apparent changes in the character of the city's caseload, the Human Resources Administration should consider adopting a more flexible approach to the definition of full engagement. Employment service and placement contractors could be given authority to vary the mix of training and work experience in which participants are engaged. Some participants, for example, might benefit more in the long run if for six to 12 months they could combine 10 to 12 hours a week of work experience with more intensive English language and literacy instruction. Others who already have solid basic skills, and perhaps

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some work experience, might be able to move into higher-paying jobs, with greater potential for advancement, if they could spend several months in full-time vocational training.

The city should consider adopting an alternative definition of "full engagement" for parents with very young children. Mothers of children between the ages of three and 12 months, for example, could have the option of limiting their participation to 20 hours per week.

The standardized, relatively inflexible approach to full engagement initially implemented by HRA has in many ways served its purpose. It may now be time to move beyond it.

2. Improve the delivery of transitional benefits.

Some of the problems that have been encountered in providing transitional benefits to those who are moving from welfare to work—for example, the drop-off in food stamp participation—appear to reflect systemic, nationwide issues. But others—widespread delays in paying for transitional child care or in redirecting child support payments to custodial parents—are clearly internal city management issues. HRA—and, where other agencies are involved, City Hall—needs to intensify its efforts to resolve these problems.

While HRA's JobStat system appears to have been effective in improving day-to-day performance in the city's job centers, the system does not currently track how well individual centers are doing at ensuring that former recipients get the transitional benefits to which they are entitled. If HRA wants to communicate effectively to center directors and front-line workers the message that more efficient delivery of transitional benefits is a priority and that they will be held accountable for their performance, it should begin tracking the delivery of those benefits through JobStat.

3. Focus on child-only cases.

HRA should undertake a new initiative aimed at understanding more clearly the needs of the city's growing child-only caseload and responding more effectively to those needs. As noted in Part Five, several upstate and suburban counties have already begun to focus on such cases, as have other states and communities throughout the country.[47]

For New York City, with 35,000 child-only cases, systematically assessing and addressing the needs of such cases will be a major undertaking. Given its continuing—and, in many respects, understandable—focus on its full engagement and welfare-to-work goals, it might make sense for HRA to look to the city's nonprofit sector to take the lead in developing a plan for addressing the needs of child-only cases. HRA could then contract with community-based family service providers throughout the city to deliver needed services.

4. Improve the delivery of services to the working poor.

As the city's welfare caseload has declined, and as the number of New Yorkers working in low-wage jobs has increased, the problems that confront the working poor have become more evident. As several of the service providers interviewed for this study noted, the work involved in assisting these families is in many ways different from that involved in moving families from welfare to work. In order to learn more about how it can most effectively address the needs of low-income families, the city should consider establishing on a pilot

basis—separate from its own network of job centers—several centers that specialize in serving the working poor.

5. Reduce the tax burden on low-income working families.

The city should follow the lead of the federal and state governments and create a city earned income tax credit generous enough to completely remove working poor families from the city's income tax rolls. The city tax credit should not be conditioned on the state's willingness to reimburse the city for its loss of income tax revenues.

As noted in Part Four, despite the generally high rate of utilization of federal and state earned income tax credits, there still appear to be a significant number of eligible taxpayers who are not taking advantage of these benefits. The city, as well as nonprofit service providers that work with low-income working families, should intensify their efforts to maximize utilization of federal and state EITC's.

Implications for New York State

To enhance the well-being of low-income families, including those leaving welfare for work, New York State should consider the following measures.

1. Increase the value of the state earned income credit.

New York State has already authorized an increase in the value of the state earned income tax credit to 30 percent of the federal credit by 2003. To further reinforce its policy of "making work pay," the state should consider an additional increase to 40 percent of the federal credit, phased in over several years.

2. Provide transitional help with housing costs.

The loss of net income that occurs when recipients lose *Jiggetts* rent supplements once their welfare cases are closed hurts poor families and discourages movement from welfare to work. To address this issue, the state should consider using surplus TANF funds to provide time-limited, transitional rent supplements to families that are leaving welfare for work and are burdened with especially high housing costs. Providing supplements averaging $200 per month to 10,000 families would cost the state $24 million annually.

3. Upgrade the quality of informal care.

For reasons of cost, limited licensed capacity, and consumer preference, it is clear that for the foreseeable future many low-income working parents with young children will continue to rely heavily on informal child care. The most effective way to raise the overall quality of care being provided to the children of poor families may thus be through a sustained, concentrated effort to improve the quality of informal care. Such an effort might involve, for example, more extensive training of informal caregivers, providing them with easier access to professional assistance and support services, and incentives for informal caregivers to become licensed providers.

4. Strengthen requirements for serving child-only cases.

As noted in Part Five, New York State in 2000 gave its 58 local social services districts the option of using some of their Transitional Services Block Grant funds to address the needs of child-only cases. The state should consider making the development and implementation of plans to serve these cases a requirement for receipt of block grant funds, rather than an option.

5. Extend benefits to legal immigrants.

Low-wage immigrant workers have played a major role in the resurgence of New York's economy and in the rebuilding of many New York neighborhoods. Yet many of these workers are denied access to benefits regularly available to other low-income families. Even as it presses the federal government to end discrimination under PRWORA, the state should remove discriminatory provisions from its own laws by making, for example, adult immigrants eligible for state-funded food stamp and Family Health Plus benefits.

6. Invest in English language instruction.

A recent assessment of New York's immigrant communities has found that the economic payoff from improving their English proficiency is so great that the state actually makes money, in terms of increased tax revenues, from its spending on ESL classes.[48] Nevertheless, there is a growing unmet demand for ESL instruction among low-income immigrant families. Increasing the availability of such classes would both enhance the earning power of immigrant workers and help ensure the competitiveness and productivity of New York's work force. Over the next several years, the state should significantly increase its investment in English language instruction.

Implications for the Federal Government

In order to build on the success of PRWORA and other policies adopted during the 1990s—and at the same time to cure the shortcomings of those policies—the federal government should consider the following measures.

1. Maintain TANF funding at current levels.

As TANF caseloads have declined nationwide, states have been able to use surplus TANF funds to support a variety of programs and services that have helped ease the transition from welfare to work, or that otherwise help meet the needs of low-income working families. As it begins to consider reauthorization of TANF, Congress may now be tempted to declare the 1996 legislation a success and sharply reduce the funding provided to the states through the TANF block grant. It should resist that temptation for several reasons.

The success of the states' welfare-to-work efforts has not yet been tested in a recession. It would be a mistake to reduce TANF funding just when a softening job market might halt, or even reverse, the decline in caseloads that has marked the last five years. Moreover, even if the decline in caseloads continues, the states will need TANF funding to address the often

more complex needs of families that remain on the welfare rolls. Finally, as public assistance caseloads decline, the federal government and the states should begin to view TANF funding as, in effect, seed capital for the next stage of reform—a concerted effort to raise the living standards of low-income working families.

2. "Stop the clock" for working recipients.

The unfairness of applying the five-year federal time limit equally both to TANF recipients who are working full-time but receiving modest supplemental benefits and to those who are not working at all has been widely noted. Congress should amend PRWORA to "stop the clock" for any recipient who works full-time. Similarly, part-time employment should "slow the clock." A year of receiving partial benefits while working half-time, for example, should count as six months against the five-year limit.

3. Allow a more flexible approach to part-time work.

Given the advantages that part-time employment offers to mothers of young children, the federal government should consider giving the states the option of setting work participation standards of less than 30 hours per week for parents of children less than three years old.

4. End discrimination against legal immigrants.

Congress should repeal the various provisions of PRWORA that discriminate against immigrants residing legally in the United States as well as the provisions embodied in subsequent legislation such as the Child Health Insurance Program.

5. Increase the minimum wage.

While many economists agree that increases in the minimum wage reduce the demand for less-skilled labor, most empirical evidence suggests that the positive impact of increased wages greatly outweighs the marginally negative impact on total employment. Given the long-term erosion in the real value of the minimum wage, an increase of at least $1 per hour seems justified. Congress may want to delay action on the minimum wage until the demand for labor is once again on the rise, but it should not wait long.

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44. See Greenstein & Guyer, pp. 10, 22, in endnote 31.

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